



# Crane Financing *FORECAST*

## Are crane buyers feeling the crunch?

**A**ccording to a recent Associate Press article, “Economic growth slowed to a near standstill at the end of last year as the economy was battered by the prolonged slump in housing and a severe credit crunch that has resulted in billions of dollars of losses at many of the nation’s largest financial institutions and has made it harder for consumers and businesses to get loans.” Has this credit crunch spilled over into the construction industry, making it more difficult for crane owners to borrow money for equipment purchases? Not necessarily, say financing experts, because crane buyers typically do not use traditional financing methods, such as banks. They opt instead to work through equipment financing specialists for leases or loans.

### Apples to Oranges

According to Al Cervero, senior vice president at the Association of Equipment Manufacturers (AEM) in Milwaukee, you can’t make a direct comparison between the crane industry and the construction industry because they’re different. “The rest of the construction industry is off a little bit – there’s no question about that,” he says. “But on the crane side, they seem to still be doing well.”

The fact that there continues to be a 12-to-18 month backlog to get new cranes tells the story that owners are doing pretty well, says Kevin Libert, vice president, business development, construction and industrial, Key Equipment Finance, Superior, Colo., who characterizes the crane market as somewhat of an anomaly because of its relationship with commercial and industrial construction. “However, general demand for equipment financing has lightened up,” he says.

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**Most experts say that the crane industry remains strong.**

*Heavily involved in financing boom trucks, Scott Blair, president of Milwaukee-based Heartland Wisconsin Corp. Financial Services, whose firm does about 99 percent of its business in capital leases, says the national economic downturn has absolutely affected his business. “The homebuilders are the guys that are turning in their equipment because they have no more work,” he says. “This trend is not tied to the size of the contractor; it’s the type of work they do. The guys using the boom trucks and small truck cranes to set trusses and put walls in place are in real trouble, especially in certain areas of the country where housing is dead.” However, he says cranes in the 100-ton and up category are still hanging on.*

To combat the negative effects of the credit crunch, Congress and President Bush have prescribed what Christian Klein, vice president of government affairs and Washington counsel, Associated Equipment Distributors (AED), Alexandria, Va., calls “powerful medicine” to inoculate the U.S. economy. On Feb. 13, 2008, the president signed the Economic Stimulus Act (ESA), which, in addition to providing tax rebate checks to middle-income families, temporarily reinstates the depreciation bonus and increases Sec. 179 expensing limit.

### Tax Relief Advantages

Traditionally known as the small business expensing law, Sec. 179 has been a permanent fixture in the tax code for some time, explains Klein. “What it allows you to do is totally expense your capital investments, as long as they don’t exceed a certain amount,” he says.

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