WELLS FARGO

Wells Fargo Equipment Finance

Construction Industry Forecast

2015

The Optimism Quotient (OQ) — this survey's primary benchmark for measuring contractor and equipment distributor sentiment — reached an historic high of 130, an increase of six points from 2014. Construction industry executives representing large and small contractors as well as equipment distributorships and rental companies are showing continued optimism that local nonresidential activity will increase in the year ahead compared to 2014.

Together we'll go far

A message from Wells Fargo Equipment Finance

The construction industry continues to be a great place to work. Over the last five years we've seen slow and steady growth that has made this industry more and more appealing. Our recent survey of construction industry executives reveals a sense of optimism that we are confident will continue for the foreseeable future.

After tumbling to an all-time low of 42 in January 2009, our primary metric for tracking industry optimism — the Optimism Quotient (OQ) — steadily climbed and has reached new highs in three of the past four years. The OQ for 2015 is a very positive 130. In the nearly 20 years that we've been tracking the OQ, we've never seen such widespread optimism about the direction of the industry compared to the prior year. The timing of this year's survey is particularly significant because industry executives responded to it during a period of sharp decline in crude oil prices in mid to late January 2015. We thought the predictions of lower capital expenditure related to construction in the energy sector might negatively impact the sentiment of our survey population and dampen enthusiasm about the year ahead. Yet overwhelmingly the industry indicated that the trajectory of the broader construction industry is still going in the right direction — up.

We see this optimism in responses from across the country and among contractors, equipment distributors, and other stakeholders alike. In contrast to previous *Forecasts*, we're seeing more consistency between residential and nonresidential construction; optimism about improvement in both sectors is equally positive.

You'll find greater detail in the pages of this *Forecast,* including evidence for the following:

- **Equipment rental will remain strong.** Both those that rented equipment and those that rent out the equipment say this growing trend will not slow down in 2015. More contractors than a year ago say they will be renting. Distributors and equipment rental companies say they are already renting out more equipment to contractors than a year ago. They also say they will likely grow their rental fleets.
- **Equipment acquisition is also likely to rise.** More contractors than a year ago say they will increase new and used equipment acquisitions. Distributors are more optimistic about sales increases in new and used categories than in either of the previous two years.

We also asked a number of new questions designed to help contractors and distributors get a view into what their peers are saying about business conditions. In this year's report you will find insights from hundreds of construction contractors and equipment distributors about these topics and more:

- Key opportunities and risks to the industry
- Regulatory topics of greatest concern
- Strategies for attracting and retaining skilled workers
- Cost categories that are of greatest concern

We hope that equipment buyers and sellers alike will gather wisdom and insight from this report for the year ahead.

John D. Crum

John Crum, National Sales Manager
Wells Fargo Equipment Finance
Construction Group
412-454-4629
john.d.crum@wellsfargo.com

Overview

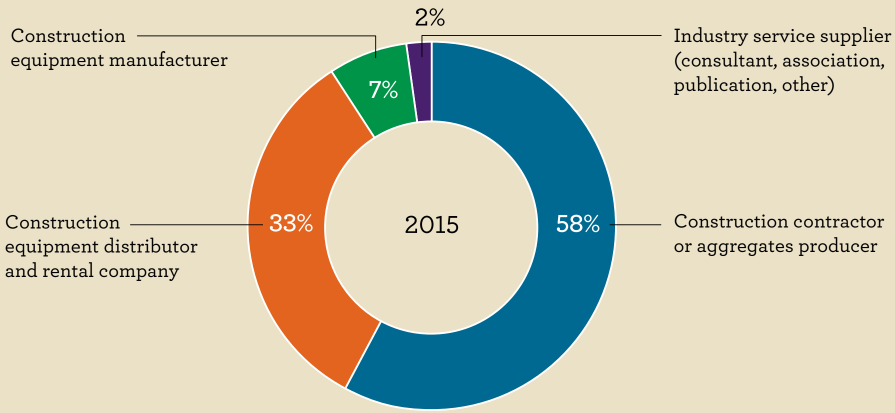
The 2015 *Construction Industry Forecast* is the nation's premier, forward-looking sentiment survey of the U.S. construction industry. Each year, Wells Fargo Equipment Finance surveys construction industry executives to gather insight into current business conditions and trends and to measure their sentiment for construction activity in the coming year. The results presented in this year's *Forecast* represent the 39th year in which Wells Fargo Equipment Finance and its predecessors have surveyed construction industry executives.

Survey dates

January 8 – January 30, 2015

Composition of survey respondents

What best describes your primary function in the construction industry?



Survey responses came from 413 construction industry executives based in all of the U.S. states, except Delaware and Wyoming.

Percentages may not add up to 100% due to rounding. For questions regarding this Wells Fargo survey, please contact Greg Giauque at 480-724-3499 or greg.p.giauque@wellsfargo.com.

Respondent classification

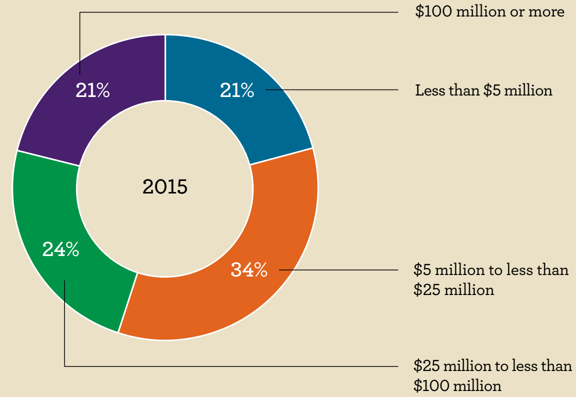
- **Contractors** are companies that execute construction projects. Producers of aggregate materials and other companies that rely on heavy construction equipment also fall into this category. These companies often buy, lease, or rent large construction equipment to complete such projects.
- **Distributors** are dealers of construction equipment. These companies most often sell heavy equipment, light equipment, or general construction equipment, and provide a range of products and services to the construction industry.
- **Equipment rental companies** acquire equipment to rent out to contractors.
- **Manufacturers** create or build the equipment that contractors use.

In which of the following industries do you do most of your work?

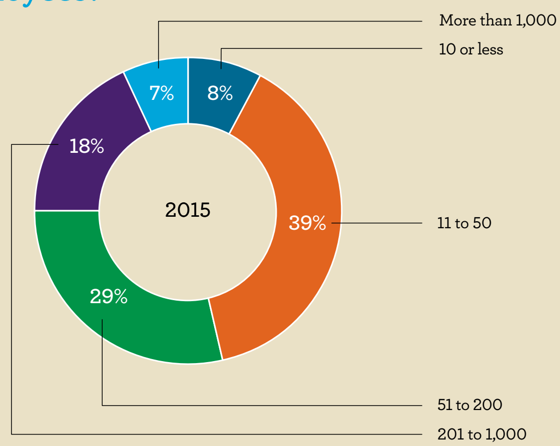
Category	2015
Site preparation/excavation	22%
Heavy highway	18%
Concrete and asphalt	11%
Utility contracting	10%
Nonresidential building	7%
Residential building	6%
Oil and gas	6%
Mining	4%
Aggregates production	4%
Materials transport	3%
Bridges and overpasses	2%
Other	8%

Base: 248 contractors.

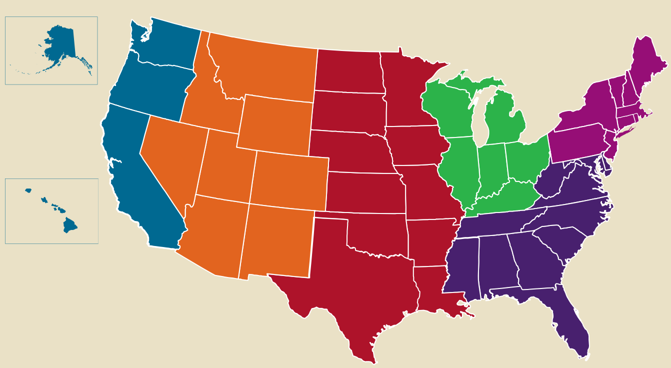
Which of the following categories best describes your company's annual revenue?

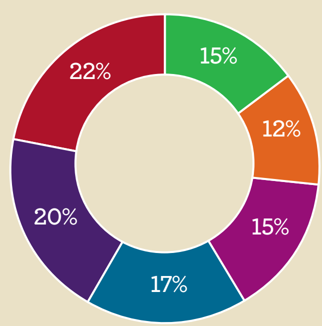


Which of the following categories best describes your company's total number of employees?



Geographic distribution of survey responses





Pacific
AK, CA, HI, OR, WA

Mountain
AZ, CO, ID, MT, NM, NV, UT, WY

Central
AR, IA, KS, LA, MN, MO, ND, NE, SD, OK, TX

Lakes
IL, IN, KY, MI, OH, WI

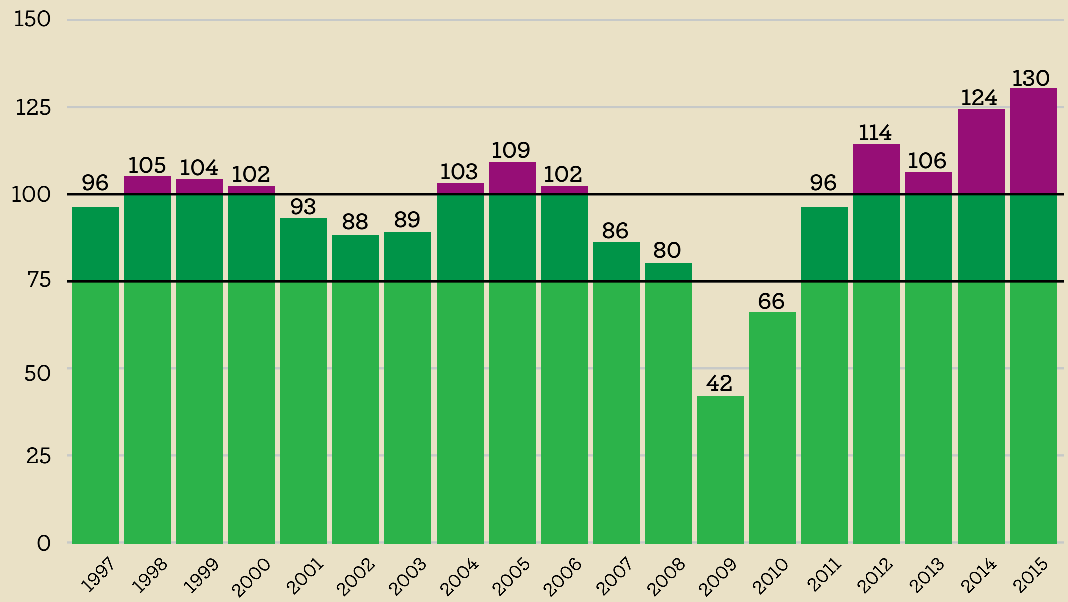
Northeast
CT, ME, MA, NH, NJ, NY, PA, RI, VT

Southeast
AL, DE, FL, GA, MD, MS, NC, SC, TN, VA, WV

The Optimism Quotient

The Optimism Quotient (OQ) presented by Wells Fargo Equipment Finance is this survey's primary metric for assessing respondents' sentiment about local nonresidential construction activity. The measurement is directional in nature and gives an indication of industry executives' optimism about the coming year compared to the previous year.

U.S. national Optimism Quotient (OQ)

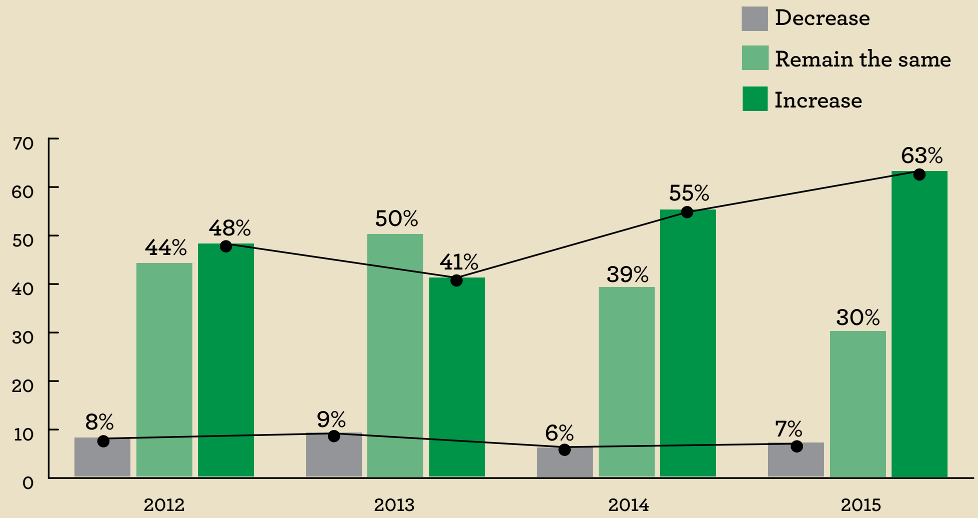


How to read the Wells Fargo Equipment Finance Optimism Quotient (OQ)
An OQ score of 100 or more represents strong optimism for increased local construction activity relative to the perceived level of activity for the prior calendar year. A score above 75 represents more cautious or measured optimism. A score below 75 signals that fewer executives say local construction activity will increase than say it will decrease, a more pessimistic point of view.

The OQ for 2015 is at a record high — a very positive 130 — in this 19-year series. Survey respondents across the U.S. expressed widespread agreement that construction activity in their local areas would increase compared to a year ago. Although not statistically significant, an analysis of data at the state and regional level showed that the optimism is not localized to one part of the country. In other words, we didn't find significant variances in optimism from one region of the country to the next. This optimism doesn't suggest record levels of overall activity, but rather a strong feeling that 2015 will be busier and more active than 2014.

This year's survey marks the third time in the last four years that the OQ has reached a new high. In 2009, the OQ reached an all-time low of 42, revealing respondents' pessimism about construction activity compared to 2008 levels. In 2010, the OQ recovered to some degree, but the overall sentiment pointed to another year of declining activity. Finally, in 2011, contractors and equipment distributors expressed modest optimism that activity would improve with an OQ of 96. In 2012, 2014, and 2015, the OQ reached new all-time highs.

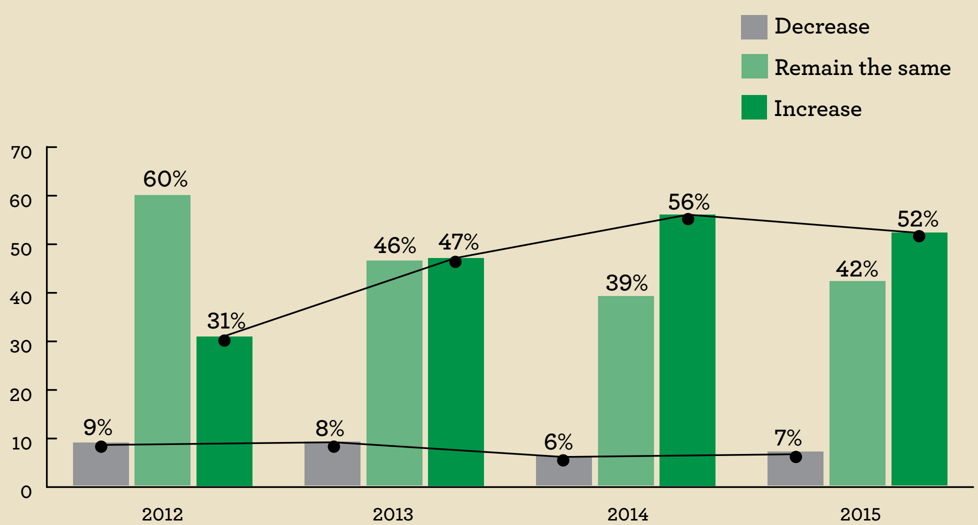
What is your projection for local **nonresidential construction** activity this year compared to last year?



The trend in the past four years is clear: A larger percentage of executives say local nonresidential construction activity will improve compared to the prior year. The percentage of respondents who said activity would remain the same declined from 39% in 2014 to about 30% in 2015, while 63% said that activity levels would increase, up from 55% in 2014. The percentage of industry executives who predicted that local nonresidential activity would decrease remained near its all-time low of 6% in 2014.

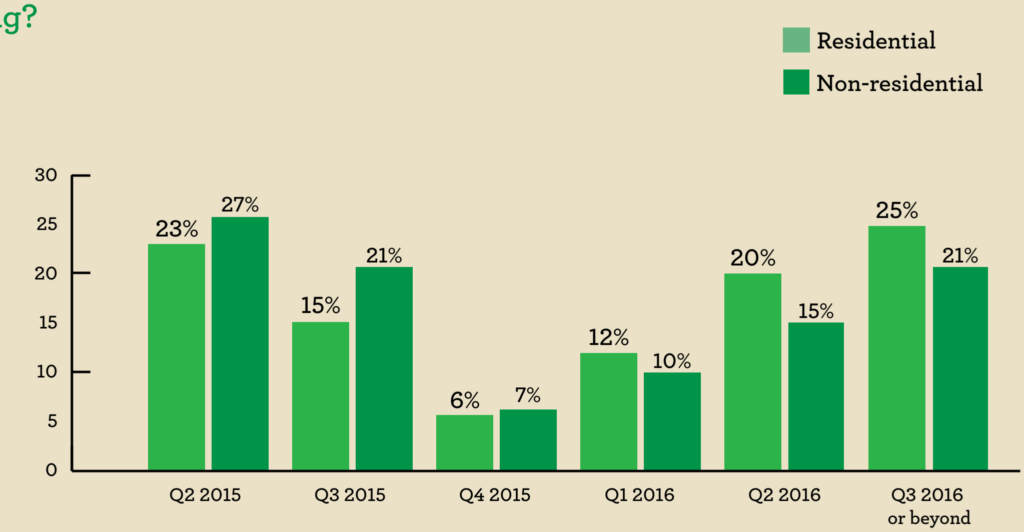
At the regional level we did not see significant variations on this theme of strong optimism about economic activity.

What is your projection for local **residential construction** activity this year compared to last year?



The sentiment for residential construction activity in 2015 remains quite positive among executives surveyed but did not increase as powerfully as sentiment surrounding nonresidential construction. The overall trend, however, is that residential construction activity will continue to improve, as shown by the 52% of respondents who said they expect an increase. Only 7% said they expect activity to decline in 2015, which is remarkably similar to the percentage that have expected a decrease in each of the previous three years.

When do you expect local nonresidential and residential construction activity to begin improving?

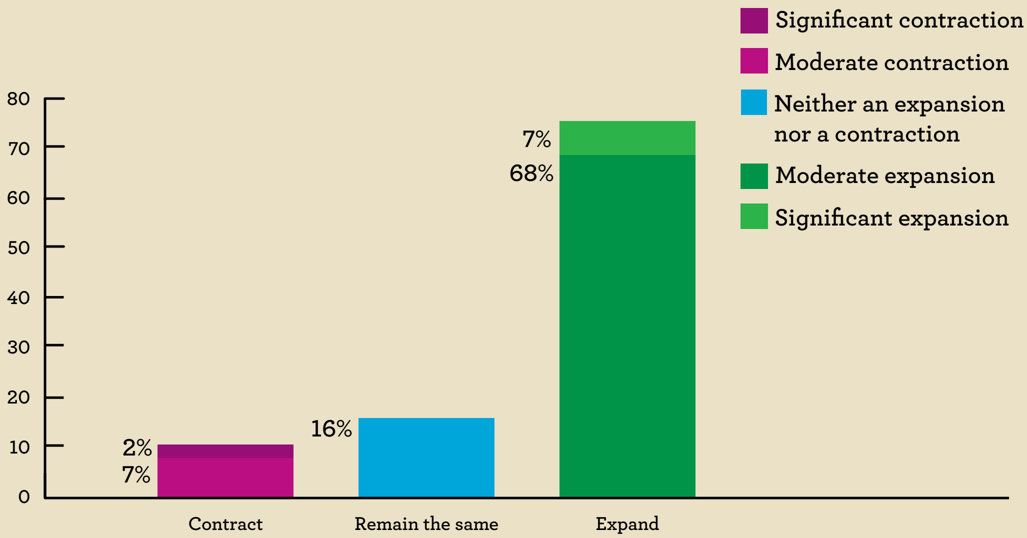


Base: Respondents who said local construction activity would decrease or remain the same in 2015 compared to 2014.

Of the executives who said they expect similar or decreased residential activity compared to 2014, just less than half (44%) said they expect to see at least some improvement before the end of 2015. However, about one in four of these executives (25%) said that an improvement in residential construction wouldn't come until the second half of 2016 or later.

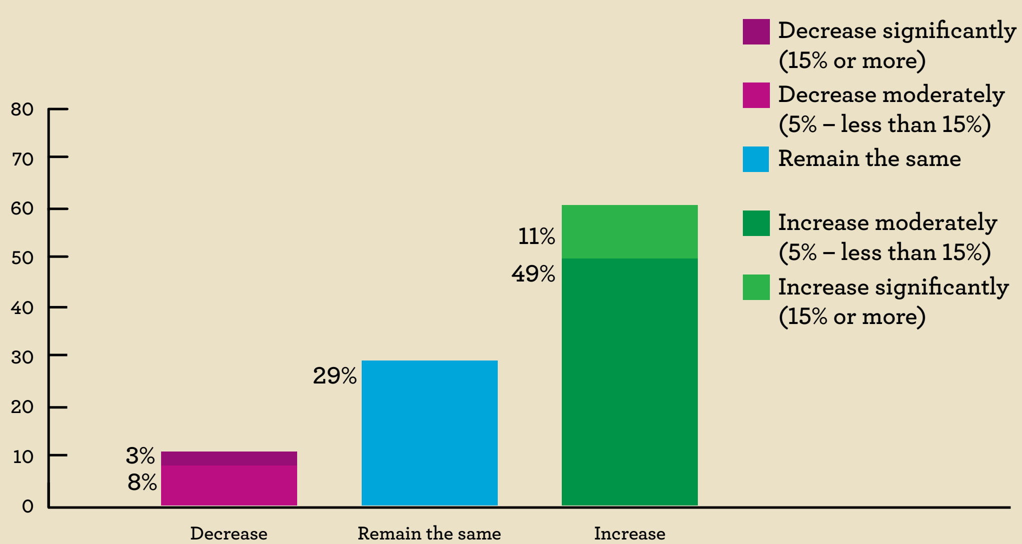
Of the executives who said they expect similar or decreased nonresidential activity compared to 2014, more than half (55%) said they expect to see at least some improvement before the end of 2015. However, about one in five of these executives (21%) said that an improvement in nonresidential construction wouldn't come until the second half of 2016 or later.

Two years from now, which of the following scenarios is most likely to occur?



The two-year outlook among construction industry executives also paints an optimistic picture. More than two-thirds of respondents said that a "moderate expansion of the U.S. construction industry" would likely occur within the next two years. Another 16% were confident the construction industry would maintain a mostly flat growth trajectory for the next two years. About one in ten said they expect either moderate (7%) or significant (2%) contraction in the U.S. construction industry.

Compared to net profit for 2014, do you think your net profit for 2015 will:

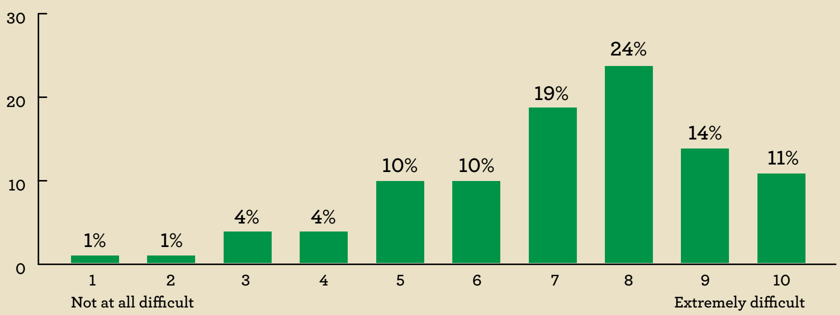


Industry leaders expressed some optimism that their businesses will continue to grow in profitability in the year ahead. Six in 10 (60%) said that their net profit in 2015 will increase moderately (49%) or significantly (11%), compared to only 3% who said they expect a significant decrease in net profit.

Hiring practices

Business leaders in the U.S. construction industry often cite a difficulty in finding and retaining qualified workers. With wages and salaries among the top concerns of industry executives surveyed, WFEF asked new questions in an attempt to quantify sentiment about the labor market and the degree to which qualified workers are difficult to find.

How difficult is it to find qualified workers to fill your open positions? Please rate on a scale of 1 to 10 with 10 being most difficult.



On a scale of 1 to 10, the average rating of difficulty in finding qualified workers is 7.1. About one in four respondents (24%) chose "8," while another 25% selected "9" or "10."

What strategies and resources are most effective in finding qualified workers? Please rank the top three.

Total	Strategies and resources	First choice	Second choice	Third choice
83%	Referrals from current employees	57%	17%	9%
52%	Jobs and networking websites	8%	26%	17%
34%	Apprenticeship programs	7%	13%	15%
32%	Trade schools	8%	11%	13%
32%	Company website	5%	13%	14%
29%	Staffing agency	7%	12%	10%
9%	Career fairs	2%	2%	5%
28%	Other	5%	6%	18%

By a large margin, "referrals from current employees" was the most prevalent resource (83%) cited for finding qualified new employees, followed by "jobs and networking websites" at 52%. Four other strategies and resources fell in closely together, with about one in three executives saying that those strategies are effective for finding qualified workers. Distributors (50%) were much more likely to use trade schools as a talent source than contractors (23%).

What benefits are most effective at retaining employees? Please rank the top three.

Total	Response	First choice	Second choice	Third choice
84%	Compensation and bonus structure	46%	28%	10%
72%	Health insurance	15%	31%	25%
68%	Overall company culture	34%	18%	16%
31%	401k with matching contributions	1%	10%	20%
23%	Sick days/Paid time off/Holidays	2%	7%	14%
13%	Company car	1%	3%	8%
1%	Education reimbursement	*	*	*
8%	Other	1%	1%	6%

* Total responses amounted to less than 1%.

Given a list of eight possible employee-retention strategies, executives identified compensation and bonus structure (84%), health insurance (72%), and overall company culture (68%) as the three most important strategies to retain qualified workers. Distributors were more likely to use 401k retirement savings programs than contractors.

Construction Industry Overview

Anika Khan, Senior Economist
Wells Fargo Securities, LLC

Anika R. Khan is a director and senior economist with Wells Fargo with more than 15 years of experience in Corporate and Investment Banking including U.S. macroeconomic and quantitative analysis, institutional sales and trading analytics and commercial-mortgage backed securities underwriting. Based in Charlotte, N.C., she is responsible for producing commentary on U.S. residential and nonresidential real estate and construction markets.

Construction activity expected to accelerate further in 2015

Economic growth improved at a healthy pace in 2014 and is expected to accelerate further in 2015. We forecast that U.S. real GDP will grow roughly 2.5 – 3% in 2015 and 2016 (Figure 1), marking the strongest two-year period since the middle of the 2001 – 2007 economic expansion. Much of the improvement will likely come from a stronger labor market as slack continues to diminish and the mix of jobs shifts to more full-time employment. With economic growth strengthening, the labor market improving and rates still at a low level, businesses are expected to feel a bit more comfortable about putting money to work in long-term projects which should bode well for construction. In fact, forward-looking construction indicators including the Wells Fargo Equipment Finance Construction Optimism Quotient, Dodge Momentum Index and AIA Billing Index suggest activity will continue to improve in 2015.

One sector that has been driving nonresidential demand is commercial construction (Figure 2). Commercial construction, which includes office, lodging and retail posted a double-digit gain in 2014. More specifically, office construction grew at a solid pace in 2014 especially in markets driven by high-technology and energy. In these markets, office development for Class A office space in central business districts saw the largest gains. Lodging construction was also a bright star last year, posting its third annual double-digit gain. Momentum in this sector is due to an early surge in corporate profits that put business travelers back on the road. As exhibited in previous recoveries, the pace in corporate profits is moderating, which could slow lodging demand. Retail is also expected to improve this year, but the sector has been slow to gain any meaningful traction and fundamentals have lagged the other key property types. However, with household balance sheets improving and consumer

Figure 1

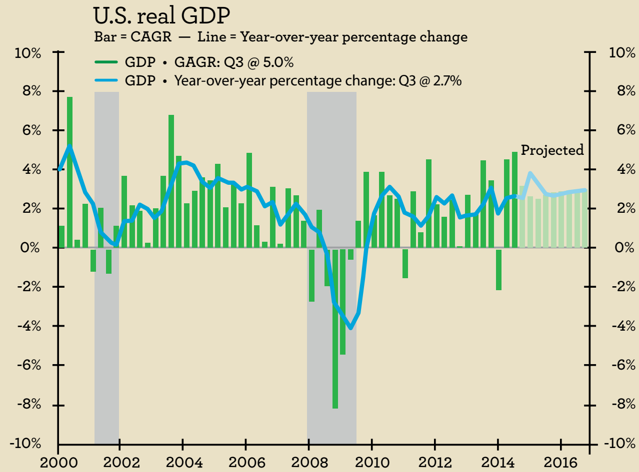
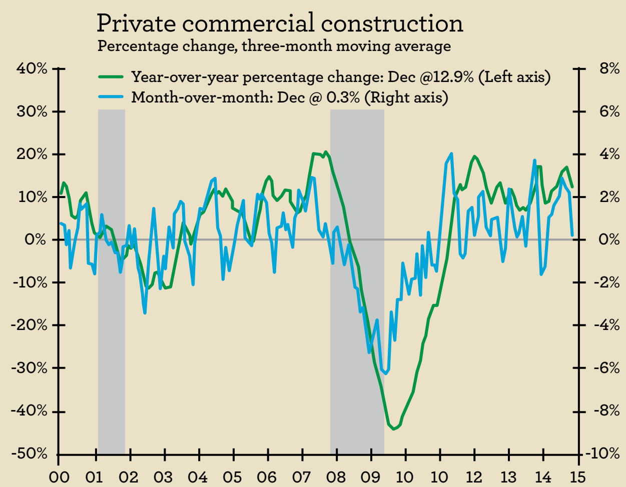


Figure 2



Source: U.S. Department of Commerce, AIA, and Wells Fargo Securities, LLC.

purchasing power strengthening due to the recent drop in oil prices, we should see some improvement in 2015.

Following a weak 2014, institutional outlays (healthcare, education, religious, amusement and recreation) will likely increase in 2015. Institutional outlays typically lag commercial spending and should improve in 2015. However, power outlays, which make up one quarter of total private nonresidential construction spending, could slow this year. Power was a bright spot in 2012, as developers rushed to beat the planned expiration of the federal production tax credit, but outlays have slowed, as fewer alternative energy projects are coming on line and natural gas and petroleum capacity additions have risen only modestly.

Single-family residential construction grew at a solid clip in 2014 with much of the activity occurring in the second half of the year. With job and income growth improving and household formations projected to firm this year, single-family construction should also continue to improve. The largest impediments to a more robust recovery in the housing market, however, have been the low level of inventories and fewer first-time home buyers. Still low mortgage rates and easier credit standards should help boost activity.

Risk, regulation, and opportunity

Which of these factors poses the greatest **risk** to the U.S. construction industry in 2015? Please rank the top three.

Total	Answer option	First choice	Second choice	Third choice
67%	Political/regulatory uncertainty	30%	24%	14%
67%	National economic uncertainty	25%	23%	19%
37%	Local economic uncertainty	8%	13%	17%
27%	Rising interest rates	8%	9%	9%
24%	Tier IV emission standards	5%	10%	9%
24%	Falling oil prices	14%	6%	4%
19%	Rising material costs	3%	6%	11%
16%	The residential construction market	4%	5%	8%
12%	The nonresidential construction market	2%	4%	6%
6%	Other	1%	1%	4%

National economic uncertainty (67%) and political/regulatory uncertainty (67%) emerged as the factors that executives cited most frequently as great risks to the U.S. construction industry this coming year. Concern about local economic uncertainty (37%), and rising interest rates (27%) rounded out the top four.
Given the severity of the recent recession and the slow post-recession recovery, it's not surprising that construction industry executives are still somewhat wary about the economy's long-term trajectory.

Which of these factors creates the greatest **opportunity** for growth in the U.S. construction industry in 2014? Please rank the top three.

Total	Answer option	First choice	Second choice	Third choice
60%	Improving national economic situation	23%	21%	16%
48%	Increased consumer confidence	17%	17%	14%
38%	Improving local economic situation	10%	14%	14%
35%	Improving political climate	11%	12%	13%
31%	Stable regulatory environment	9%	10%	11%
26%	The residential construction market	9%	7%	10%
24%	Increased government spending	8%	8%	8%
21%	The nonresidential construction market	8%	7%	7%
11%	Public/private partnerships (PPP)	3%	3%	4%
5%	Other	2%	1%	3%

Juxtaposed against the risks facing the industry, an improving national economic climate (60%) and improving consumer confidence (48%) were cited as the top two opportunities for the construction industry in 2015. An improving local economic situation (38%) rated third, and an improving political climate (35%) ranked fourth.

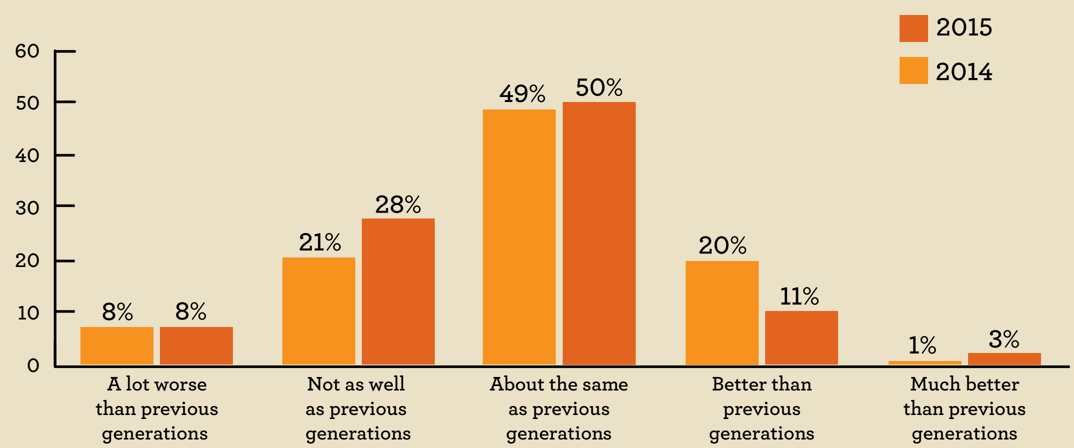
Which of the following regulatory issues is of greatest interest to you as it relates to your company's success? Please rank the top three.

Total	Type	First choice	Second choice	Third choice
72%	Tax incentives such as bonus depreciation	31%	24%	16%
62%	Highway Funding Bill	32%	17%	13%
47%	Affordable Care Act	14%	16%	16%
35%	Gas tax	4%	17%	15%
32%	Tier IV emission standards	9%	10%	13%
20%	Hours of service (HOS)	4%	9%	8%
18%	Debt ceiling	4%	5%	9%
14%	Other	2%	2%	10%

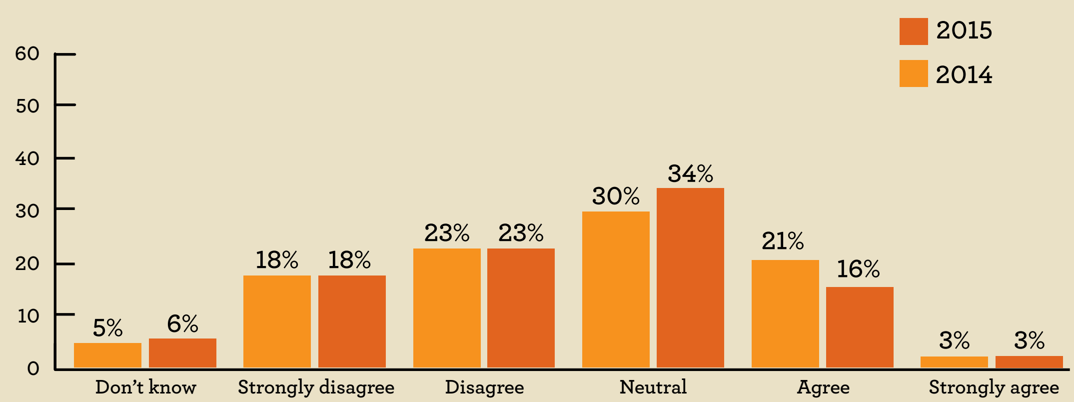
The regulatory issue of greatest interest in the 2015 survey was related to tax incentives, such as bonus depreciation and Section 179 deductions (72%). The Highway Funding Bill (62%) and the Affordable Care Act (47%) were also among those issues most frequently listed to be of interest. The top three selections from the 2014 survey were the same, with a similar degree of frequency cited. Distributors (75%) showed much more interest than contractors (54%) in the Highway Funding Bill.

Tier IV equipment

Compared to its predecessors, how well will Tier IV equipment retain its resale value?



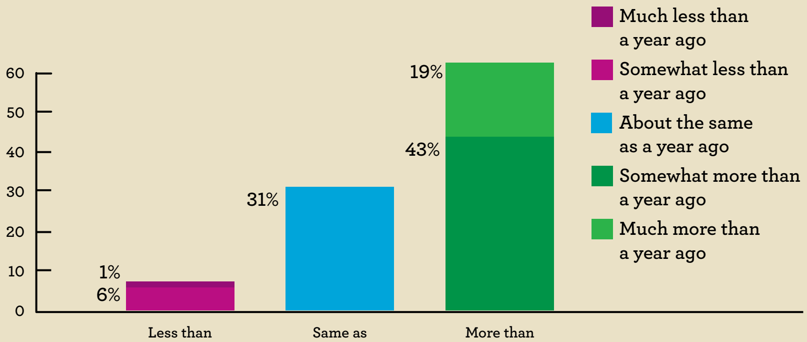
How much do you agree or disagree with this statement? "The new Tier IV emissions standards do a good job of balancing the need for reliable equipment that can get the job done efficiently and taking steps to reduce emissions that are harmful to the environment."



Rental review

Survey respondents indicated that they expect the equipment rental market to remain strong in 2015 and continue to grow. Contractors said they tend to keep their equipment for at least 72 months. They also said that the biggest risks to the growth of the industry are economic and political uncertainty. Without the stability of knowing that there will be consistent funding for work, it's not surprising that the equipment rental industry has grown significantly over the last few years and that it continues to forecast growth for 2015.

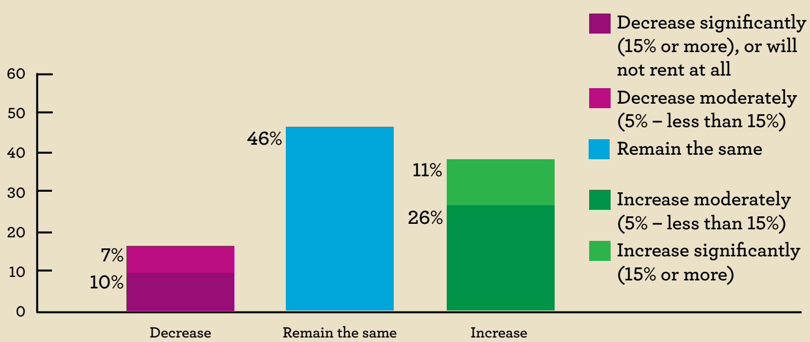
Compared to a year ago, how much construction equipment are you now renting out to contractors?



Base: 138 construction equipment distributors and rental companies.

Equipment distributors and dedicated equipment rental houses continue to see growth in the rental market. Almost two thirds (62%) of distributors reported they are already renting out more equipment to contractors than a year ago.

Do you think that your rental of heavy construction equipment in 2015, compared to 2014, will:



Base: 189 contractors that rented heavy construction equipment in 2014.

In this 2015 survey, 79% of contractors said they rented heavy construction equipment at some point during 2014, which is comparable to the 80% who said they rented in 2013. The percentage of contractors who said they will increase their rentals (37%) in 2015 far surpassed the percentage that said they will decrease their rentals (17%).

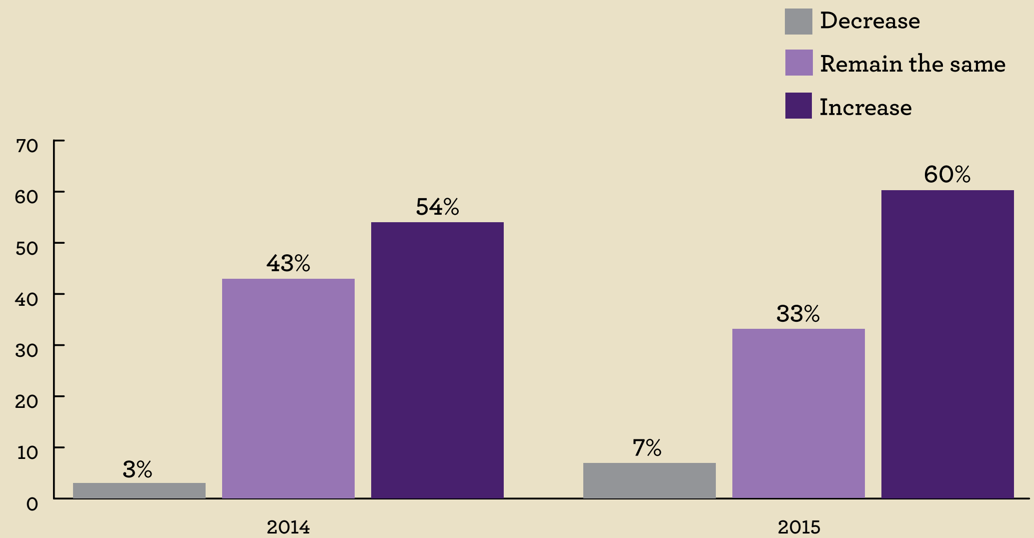
When faced with the decision to rent construction equipment, what factors will be most important to consider? Please rank the top three.

Total	Response	First choice	Second choice	Third choice
70%	Need for project-specific equipment	32%	25%	13%
65%	Lack of consistent work	27%	25%	13%
53%	Flexibility to return equipment	15%	19%	20%
33%	Overall cost of equipment	7%	10%	16%
14%	Renting is more economical	4%	1%	9%
14%	Local economic conditions	2%	5%	6%
12%	Transfer the risk of ownership	3%	5%	4%
9%	National economic conditions	1%	2%	6%
9%	Bonding company considerations	2%	4%	3%
4%	Regulatory/political conditions	1%	2%	1%
3%	Risk of equipment becoming obsolete	1%	*	2%
14%	Other	6%	3%	6%

* Total responses amounted to less than 1%.

In the 2014 survey, lack of consistent work was cited most frequently (73%) as one of the important factors to consider when facing the decision to rent. In 2015, renting was driven by the same factors but perhaps in a different order of importance. Contractors cited the need for project-specific equipment most frequently (70%) as the reason why they choose to rent rather than buy. Lack of consistent work (65%) was a close second, followed by the flexibility to return the equipment (53%) when it's no longer needed.

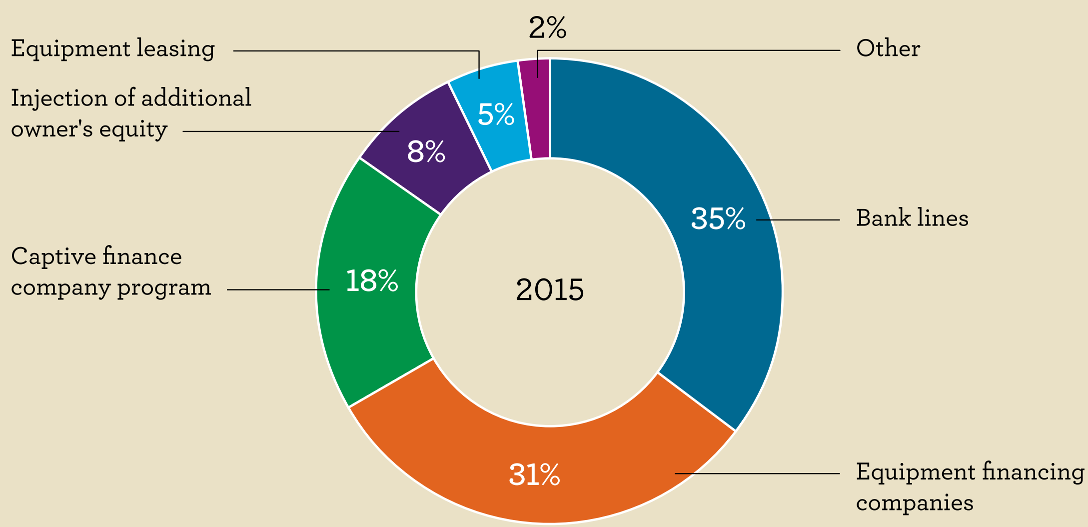
(Distributors) Do you think that the size of your rental fleet this year compared to last year will:



Base: 138 equipment distributors and rental companies.

More than half of equipment distributors and rental companies surveyed (60%) remain optimistic about continued growth opportunities in the rental industry, compared to the 54% in the 2014 survey. Only 7% of respondents said they expect to decrease the size of their rental fleet this year, compared to about 3% a year ago.

(Distributors) Of the following, which is the top way you intend to fund the increase in your rental fleet?



Base: 83 equipment distributors and rental company executives who said they will increase their rental fleets in 2015.

About one-third (35%) of respondents said that they would turn to a bank relationship to fund expansion of their rental fleet. Another third (31%) cited equipment financing companies as a source of capital.

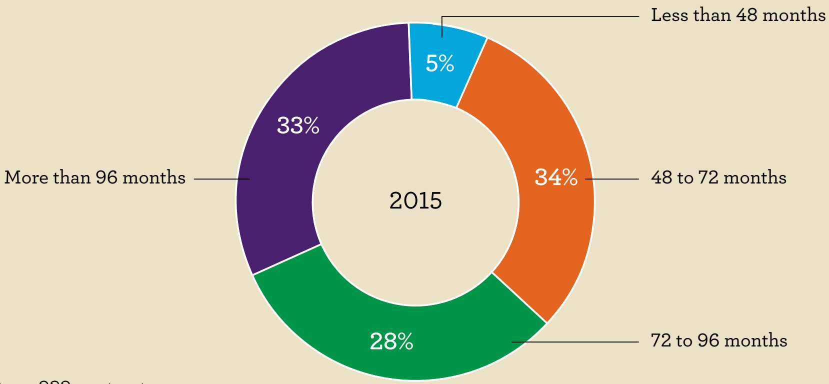
Business strategy

What percentage of your budget related to construction equipment acquisition will be allocated to the following types of equipment financing?

	Average percentage		% of respondents who said that none of their budget would be allocated to this equipment acquisition strategy		% of respondents who said that 50% or more of their budget would be allocated to this equipment acquisition strategy	
Year	2014	2015	2014	2015	2014	2015
Term lending	50%	43%	13%	21%	60%	36%
Cash	17%	17%	41%	45%	13%	7%
Rental	14%	14%	35%	39%	7%	2%
Line of credit	8%	10%	70%	68%	6%	4%
Leasing	6%	11%	73%	60%	3%	4%
Other	5%	4%	89%	87%	4%	3%

Base: 225 respondents who said they would buy or rent equipment in 2015.

On average, how long do you own the construction equipment that you acquire?



Base: 232 contractors.

When contractors buy heavy construction equipment, they intend to keep it for the long term. One-third (33%) said they own the construction equipment they acquire for 96 months or more. Another quarter (28%) said they own their equipment for at least 72 months. These numbers are consistent with findings from our 2014 survey, in which 63% of contractors said they own their equipment for at least 72 months.

Of the following cost categories, which three concern you the most?

Total	Type	First choice	Second choice	Third choice
69%	Employee wages and other benefits	31%	21%	17%
58%	Healthcare costs	21%	20%	16%
53%	Taxes	19%	18%	16%
39%	Equipment purchase costs	12%	12%	16%
31%	Fuel costs	6%	13%	12%
28%	Material costs	7%	10%	11%
11%	Financing costs	1%	3%	7%
8%	Equipment rental costs	2%	4%	2%
3%	Other	*	*	2%

Base: 238 contractors. * Total responses amounted to less than 1%.

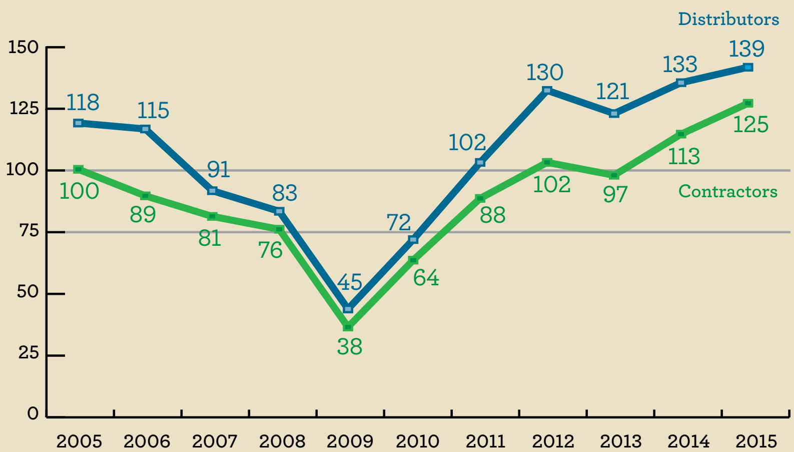
Total	Type	First choice	Second choice	Third choice
68%	Healthcare costs	28%	16%	24%
67%	Equipment costs	29%	20%	19%
59%	Employee wages and other benefits	9%	26%	24%
47%	Equipment rental costs — cost of carrying rental fleet	15%	17%	15%
33%	Taxes	12%	12%	9%
25%	Financing costs	7%	10%	9%

Base: 138 equipment distributors and rental companies.

Not surprisingly, the cost concerns for contractors are very similar to those of equipment distributors. Because we surveyed the industry during a time of falling fuel prices, we were not surprised to see fuel costs did not show up in the top three cost categories of concern. Contractors rated wages and benefits (69%) as the most concerning cost category, followed by healthcare costs (59%), then taxes (53%). Equipment distributors ranked healthcare costs (66%) first, followed by equipment costs (65%), then wages and benefits (63%).

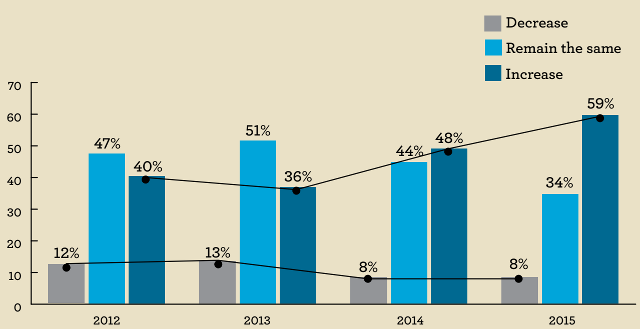
Distributors and contractors

U.S. national Optimism Quotient



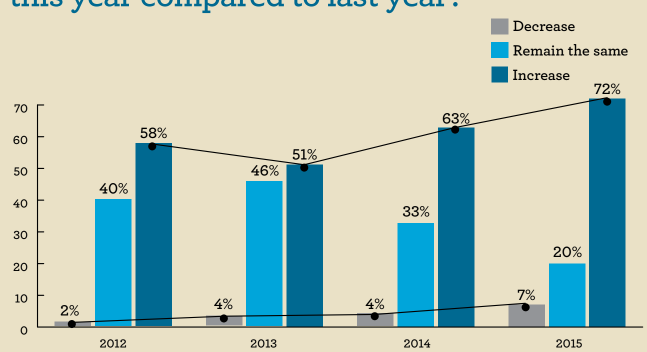
In our annual *Construction Industry Forecast,* construction equipment distributors have a long history of being more optimistic about local construction activity than construction contractors. That trend held true once again in 2015. In 2014, the 20-point gap between contractors and distributors was among the most pronounced in the history of the OQ, behind the 26-point difference in 2006 and the 28-point difference in 2012. The 14-point difference in the OQ of construction equipment distributors and construction contractors in 2015 falls in line with the historical average difference in optimism between those who buy and those who sell construction equipment.

(Contractors) What is your projection for local **nonresidential** construction activity this year compared to last year?



Base: 238 contractors.

(Distributors) What is your projection for local **nonresidential** construction activity this year compared to last year?

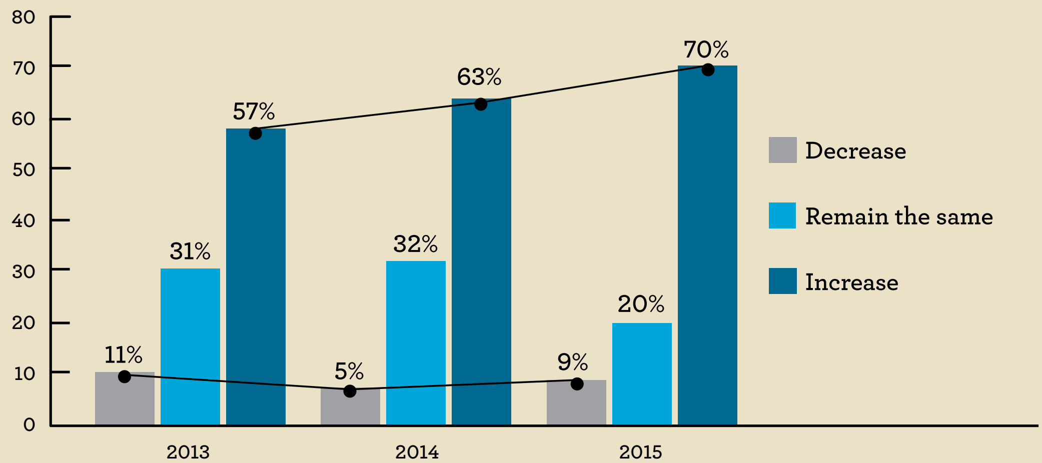


Base: 138 equipment distributors and rental companies.

Editor's note: Beginning with the 2014 survey, we have calculated the OQ for distributors using the combined responses of those that identified themselves as distributors or as equipment rental companies. In prior years, we did not combine the two categories.

Distributors

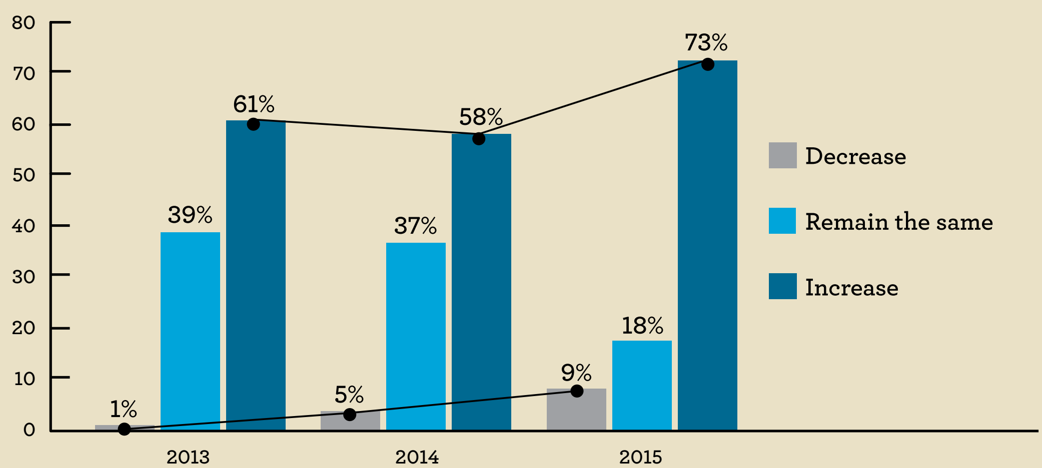
Do you think that your sales of new construction equipment this year compared to last year will:



Base: 132 equipment distributors and rental companies.

Construction equipment distributors remain quite optimistic about realizing year-over-year improvement in sales of new equipment compared to a year ago. In 2014, 63% said they expected sales to increase, but for the coming year 70% said that they expect an increase in new equipment sales. About one in ten distributors (9%) said they expect new equipment sales to decrease compared to 2014 — up from 5% in 2014 but comparable to the 11% who expected sales decreases in 2013.

Do you think that your sales of used construction equipment this year compared to last year will:

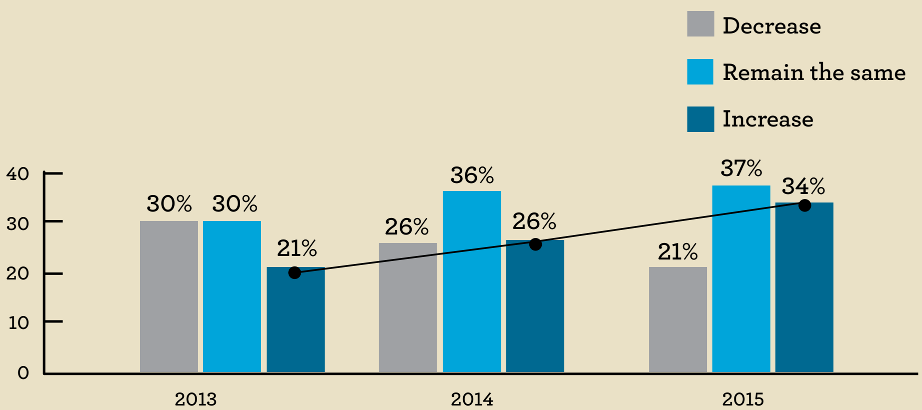


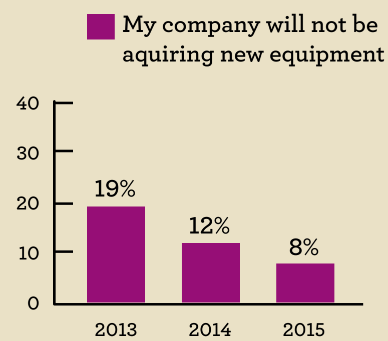
Base: 132 equipment distributors and rental companies.

Equipment distributors remain bullish about sales of used equipment, with 73% saying they expect to sell more than in 2014. Only 9% of distributors said they expected used equipment sales would decrease compared to 2014.

Contractors

Do you think that your purchases of new construction equipment this year compared to last year will:

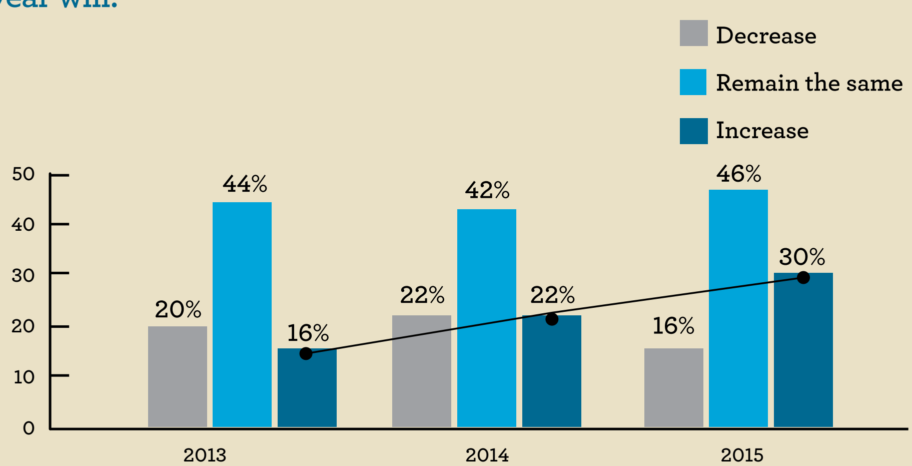


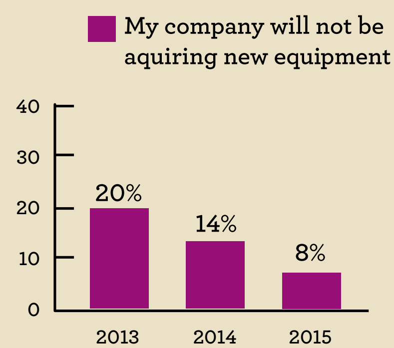


Base: 238 contractors.

Sentiment among U.S. contractors points to an increase in new construction equipment in 2015 compared to 2014. As the percentage of contractors who say new equipment purchases will decrease has gone down over the last three years, we see a corresponding rise in the percentage who say they will increase new equipment purchases. Only 8% said they would not acquire new equipment compared with 12% in 2014 and 19% in 2013.

Do you think that your purchases of used construction equipment this year compared to last year will:



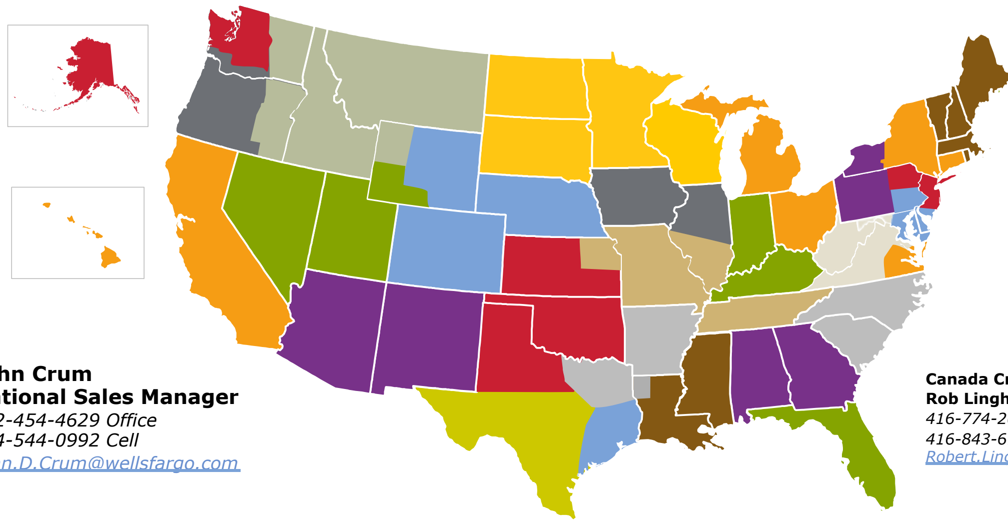


Base: 238 contractors.

Almost half of U.S. contractors (46%) said that purchases of used construction equipment in 2015 will remain mostly consistent with the volume of used equipment they purchased in 2014. The percentage of contractors who said they would increase (30%) used equipment purchases was almost double the percentage who say they expect to decrease used equipment purchases (16%). In addition, the percentage who said they would not acquire any used equipment dipped to 8% from 14% in 2014.

Find a Construction Equipment Finance Specialist near you

The coverage map below shows the network of construction industry specialists who focus solely on helping companies with construction equipment needs to find the financing that suits them best.



John Crum
National Sales Manager
412-454-4629 Office
724-544-0992 Cell
John.D.Crum@wellsfargo.com

Canada Cross-Border Sales
Rob Linghorne
416-774-2025 Office
416-843-6996 Cell
Robert.Linghorne@wellsfargo.com

U.S. West Region

Kay Russell, Sales Manager
602-432-7240
Lyman.K.Russell@wellsfargo.com

Northwestern Washington, Alaska
CJ Markey
206-849-7937 | 866-359-0749 Fax
Clyde.J.Markey@wellsfargo.com

Western Oregon, Southwestern Washington
Ryan Murphy
503-887-5986 | 866-359-0757 Fax
Ryan.E.Murphy@wellsfargo.com

California, Hawaii
Ralph Potter
619-540-2296 | 866-359-0761 Fax
Ralph.E.Potter@wellsfargo.com

Idaho, Montana, Eastern Washington, Eastern Oregon, Northwestern Wyoming
Karle Armitage
208-867-1623 | 866-359-0733 Fax
Karle.J.Armitage@wellsfargo.com

Utah, Southwestern Wyoming, Nevada
Steve Pratt
801-541-8699 | 866-359-0762 Fax
Steven.L.Pratt@wellsfargo.com

Arizona, New Mexico
Dana Pike
602-432-7234 | 866-359-0760 Fax
Dana.R.Pike@wellsfargo.com

Dallas, Northeast Texas, Arkansas, Northwest Louisiana
Frank Gullo
972-342-3594 | 866-359-0745 Fax
Frank.J.Gullo@wellsfargo.com

San Antonio, South and West Texas
Jim Shewmaker
210-240-6774 | 866-359-0771 Fax
James.B.Shewmaker@wellsfargo.com

Houston, Gulf Coast Texas
Nick Webb
713-882-7727 | 866-359-1033 Fax
Nicholas.B.Webb@wellsfargo.com

Large Ticket BDO – West
Scott Cleland
949-251-4108
Scott.Cleland@wellsfargo.com

U.S. Central Region

Steve Nenn, Sales Manager
312-316-9139
Steven.S.Nenn@wellsfargo.com

North Texas, Oklahoma, Kansas (except Kansas City)
Patrick Miller
214-914-1378 | 866-347-5217 Fax
Patrick.L.Miller@wellsfargo.com

Tennessee, Southern Illinois, Missouri and greater Kansas City
Mike Range
618-606-1661 | 866-968-8713 Fax
Michael.S.Range@wellsfargo.com

Northern Illinois, Iowa
Tom Zubik
312-550-4789
Thomas.L.Zubik@wellsfargo.com

Louisiana, Mississippi
Cal Shoemake
985-807-3988 | 866-493-1774 Fax
Calvin.Shoemake@wellsfargo.com

Indiana, Kentucky
Fred Sugg
317-435-0504 | 866-359-0776 Fax
Frederick.C.Sugg@wellsfargo.com

Ohio, Michigan
Kevin Watkins
440-787-7600 | 877-402-2261 Fax
Kevin.C.Watkins@wellsfargo.com

Colorado, Nebraska, Eastern Wyoming
Chris Benitez
719-591-7239 | 866-512-6974 Fax
Christopher.B.Benitez@wellsfargo.com

Minnesota, North Dakota, South Dakota, Northern Wisconsin
Mark Jangula
612-803-3369 | 866-739-3180 Fax
Mark.J.Jangula@wellsfargo.com

Large Ticket BDO – Central
Peter Gregory
770-551-4638
Peter.D.Gregory@wellsfargo.com

U.S. East Region

Tom Reilly, Sales Manager
201-452-7479
Thomas.R.Reilly@wellsfargo.com

Maine, New Hampshire, Vermont, Rhode Island, Massachusetts
Mike Kearney
781-715-3893 | 877-302-8033 Fax
Michael.Kearney@wellsfargo.com

New York Metro, Upstate New York, Connecticut, Richmond Virginia
Amy Majeskie
201-446-6835 | 877-401-7239 Fax
Amy.Majeskie@wellsfargo.com

Central/Northern New Jersey, Northeastern Pennsylvania
Todd Yazujian
732-319-4576 | 866-359-1035 Fax
Todd.D.Yazujian@wellsfargo.com

Southern NJ, Southeastern PA, DE, Maryland (except panhandle)
Tom Kassakatis
215-779-2981 | 866-493-4485 Fax
Thomas.G.Kassakatis@wellsfargo.com

Western Pennsylvania, Western New York
Gil Clements
412-721-0427 | 866-361-7667 Fax
Gilbert.A.Clements@wellsfargo.com

West Virginia, Maryland Panhandle, Virginia (except Richmond)
Doug Snee
724-998-5941 | 866-359-0774 Fax
Douglas.E.Snee@wellsfargo.com

South Carolina, North Carolina
Jack Kirk
803-463-9001 | 866-359-0750 Fax
Jack.R.Kirk@wellsfargo.com

Alabama, Georgia
Patricia Hollis
470-208-9549 | 866-648-0703 Fax
Patricia.Hollis@wellsfargo.com

Florida
Chuck Saxton
407-375-1054 | 877-806-6441 Fax
Chuck.Saxton@wellsfargo.com

Large Ticket BDO – East
Kevin Kresinski
412-337-0892
Kevin.Kresinski@wellsfargo.com