

Leasing is a Major Source of Investment in New Equipment

More companies, particularly small companies, acquire new productive equipment through leases than through loans. Of the \$850 billion spent by business on productive assets in 2006, \$229 billion, or 27 percent, is estimated to have been acquired by American businesses through leasing.

Who Leases & Why?

80% of U.S. companies lease equipment, here's why:

1. The need for equipment flexibility related to business changes or protection against technological obsolescence.
2. Cash flow and financial reasons - allows for a match of rental payments to the revenue produced by equipment use. Leasing keeps debt lines open for working capital rather than tied up in capital expenditures.
3. Efficiency and convenience. Companies make money by using equipment - ownership is incidental depending on business factors.
4. Stimulating investment and serving growth.

Increased Productivity & Jobs

It is estimated that each increase of \$1 billion in equipment investment creates approximately 30,000 jobs.

2006 SBA U.S. Small Business -Equipment Leasing and Finance Survey Key Findings:

- 83% of respondents currently lease equipment.
- 44% of respondents have leased equipment in the past.
- Office equipment, computers and industrial/manufacturing are the top equipment types leased, with 39%, 33% and 33% of respondents, respectively, leasing in those categories.
- Of respondents who lease, 65% lease less than 15% of their equipment assets, and 30% of respondents lease 15% to 45% of their equipment assets.
- Increased cash flow was the top reported perceived benefit of equipment leasing; 50% of the respondents selecting this attribute. No down payment and maintenance options tied as the second highest perceived benefits with 39% of respondents noting each of these attributes. 33% cited the ability to have the latest equipment.
- When evaluating financing options for equipment procurement, bank loans are the number one competitor with 78% of survey participants considering this vehicle. Two-thirds (67%) consider a line of credit, followed by 61% evaluating cash purchase for equipment acquisition.
- 84% agree that leasing is a good business strategy for meeting the demands of small businesses.
- 61% of the respondents stated the economic climate affects their financing decision for equipment procurement.
- Considering economic conditions over the past year, 45% of companies have relied on equipment leasing and financing the same to more than they had previously, while 55% have relied on it less than usual.

Survey Results Comparison from 2004 – 2006:

- The percentage of respondents who currently lease (84%) increased over 2005's percentage of respondents who were leasing (70%), and was only slightly lower than in 2004 (86%).
- Office equipment has been the top equipment type leased for the last three years.
- The percentage of survey participants this year who agreed that equipment leasing is a good business strategy for the demands of small businesses (84%) was higher than last year's result (80%).
- Over the last three years, the most reported percentage of equipment leased has been less than 15% of respondents' total equipment.
- Consistent expenses for budget planning, increased cash flow, ability to have the latest equipment, and no down payment have been the top most cited reasons businesses lease from 2004 to 2006.

***Source: Statistics and data from ELFA**