



MATERIAL HANDLING, MARINE, AND RAIL

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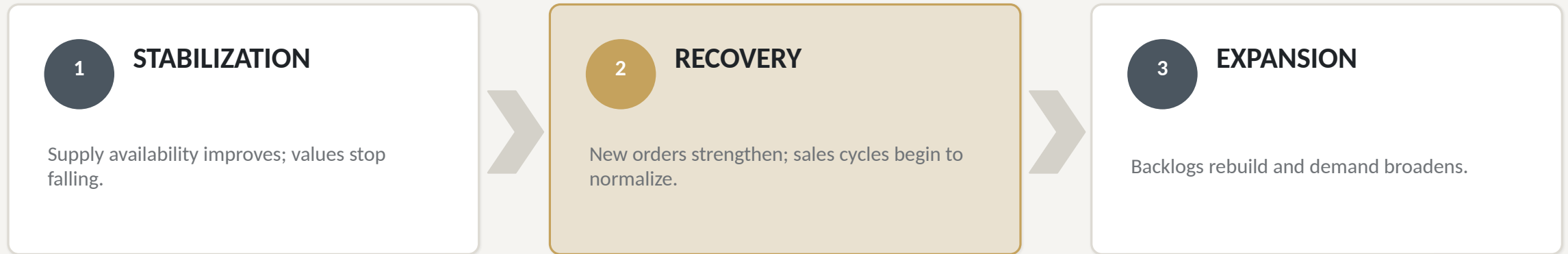
NEW EQUIPMENT & AFTERMARKET MARKET UPDATE

Industrial Truck Distribution | MHEDA Industry Sentiment + REC Data

September 2026

Executive market signal

The market is transitioning from stabilization toward recovery, but confirmation will come in sequence.



Watch the sequence: orders lead, sales-cycle stabilization confirms, and backlogs follow.

New equipment: improving demand, uneven pipeline

Order momentum is strengthening before backlogs and sales cycles fully normalize.



New Orders

Strengthened conditions; distributors expect further improvement over the next quarter and 12 months.

44% ↓

Backlogs

44% reported declines versus 20% reporting increases; recovery likely lags new orders.

64%

Sales Cycles

Longer cycles reflect delayed approvals and cautious capital spending.

>40%

Lead Times

Reductions point to improved availability and softer recent demand.

>72%

Pricing

Customer price increases remain broad.

Interpretation

- Demand is improving, but backlog recovery will lag while existing inventory and pipelines are absorbed.
- Sales cycles are expected to stabilize as demand improves and approval processes loosen.
- Supply availability should remain healthy; pricing should stay firm even as increases moderate.

Bottom-line read

New orders are likely to lead the improvement; backlog growth comes later.

Aftermarket: supply glut is still working through the system

Inventory remains elevated, but age, hours and values are beginning to normalize.

24 MONTHS

of consecutive supply increases

Y/Y inventory remains up double digits — the “COVID glut” continues to depress prices.

Age and hours are starting to normalize.

Wholesale values

Improving

Auction values

Still flat

Rental inventory

Increasing

Overall values

Stabilized

Residual percentages

Not stabilized

Values have stabilized; residual percentages have not.

Aftermarket recovery is visible, but elevated supply still requires careful underwriting.

Residual value discipline: protect the downside

In a market where values stabilize before residual percentages do, contract structure matters.

Return provisions

Use return provisions as protection against condition, usage and market risk.

Overtime rate

Structure overtime as a percentage — not a flat rate.

Do not residualize

Freight, installation, setup, tax or tariff.

Separate soft costs

Safety, warranty and telemetry should be separated from asset value.

Underwriting lenses



Itemize invoices

Make hard-asset value visible and separable from extras.



Cost-to-value ratio

How much of the invoice is supported by realizable value?



Total cost of ownership

Include maintenance, downtime, soft costs and utilization.

Residual risk is managed through structure, not just the headline residual percentage.



KEY TAKEAWAYS

- New equipment demand is improving, but backlog and sales-cycle recovery will lag.
- Supply availability is favorable; pricing remains firm despite more moderate increases ahead.
- Aftermarket values are stabilizing after a prolonged supply glut, but residual percentages still require caution.
- Useful life is not economic life — valuations should reflect utilization, downtime, technology and resale.
- AGV / automation and taller configurations are trending segments to watch.

Valuations are not mathematically perfect — the goal is viable, defensible and market-based assumptions.

MARINE AND RAIL

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MARINE MARKET OVERVIEW

Marine Market Commentary

- It's a seller's market for nearly all assets in brown water right now.
- Owners are holding onto tonnage due to charter rates and as asset values remain firm. Newbuild replacement cost is so high that it doesn't make sense to sell and re-buy. That dynamic is what's propping up used values, but the demand for marine assets is still there.
- Hopper barge construction has collapsed to multi-decade lows and the retirement rates fell far below analyst estimates for 2024 and 2025. Looking ahead, either the retirement wave is still building and the fleet is due for a sharp correction, or, owners are stretching lifespans even further than modeled. *Either outcome is worth flagging as a financing risk.*
- Coastal tank barges: zero are under construction anywhere in the U.S. right now, against a fleet averaging 15 years old and running above 90% utilization. A new one takes 3–5 years to design, build, and deliver once someone finally orders it.
- New steel mill capacity coming online near the Ohio River (Nucor) could ease input costs and unlock the next building cycle.



MARINE MARKET OVERVIEW

Top Asset Targets

- **Inland Tank Barges:** Still the most concentrated, cash-generative segment.
- **Covered Hopper Barges:** As of 2026, nearly three-quarters of the entire dry-cargo fleet (13,379 of 18,462 barges), since almost all new construction skews toward covered tonnage over open hoppers.
 - **For True-Lease Fit:** 30-year useful life for covered hoppers and 25 years for open hoppers.
- **Line-Haul Towboats/Pushboats:** Remain the tightest secondhand asset class in brown water.
- **Dredging Equipment (and its support fleet):** Currently on a genuine growth and modernization trajectory — real capital going into larger, cleaner hopper and clamshell dredges.
- **Tugboat/Towboat:** Secondhand availability has collapsed. A top industry source has tracked only 13 sales in the US in the last year. Strong demand and need.



MARINE MARKET OVERVIEW

Jones Act – Should I Stay or Should I Go

- **JONES ACT (1920) –**
 - **U.S.-Built:** The ship must be constructed in a domestic shipyard.
 - **U.S.-Owned:** The owning company must be controlled by U.S. citizens.
 - **U.S.-Flagged:** The vessel must fly the American flag.
 - **U.S.-Crewed:** The officers and crew must be U.S. citizens or permanent residents.
- **Supporters:** Argue the law protects national security, keeps critical maritime jobs in the U.S., and secures domestic supply chains.
- **Critics:** Claim it raises shipping and energy prices by blocking cheaper foreign competition, which heavily impacts non-continental regions like Alaska, Hawaii, and Puerto Rico.
- **Current Update on JONES ACT:** U.S. Customs and Border Protection approved a second 90-day extension of a Jones Act waiver first issued on March 17, 2026, allowing certain covered cargoes to continue moving on foreign-flagged vessels between U.S. ports under specified conditions. The extension commenced August 17th, 2026 and any covered product must be loaded onboard a vessel before the waiver expires at 11:59 p.m. ET on November 15th, 2026.



MARINE MARKET OVERVIEW

Lender and Analyst Checklist

- **Collateral Values:** Values on newer tonnage have reset structurally higher which changes loan-to-value math on both new construction and recent-build acquisitions, and it's not a temporary spike to underwrite around.
- **Watch The Shift Toward Life-Extension Work:** Hull steel renewal, structural reinforcement, major component replacement are being optioned over new construction. It's a growing, distinct lending category as replacement costs and rates are both elevated. Often smaller-ticket, faster-turnaround than new-build financing.
- **Subchapter M's Final Compliance Phase Belongs on Every Underwriting Checklist:** 100% of the towing fleet must complete Dry Dock & Internal Structural Exam by July 2027. Certificate of Inspection status and DD-ISE timing should be standard parts of any collateral or credit review through mid-2027.
- **Chronological Age – No Longer a Dependable Value Proxy:** Owners are stretching service life well past traditional replacement points because new-build costs are so high. It's critical to survey condition and documented life-extension work.
Example: Average dry-cargo barge age is up to 18.3 years (from 17.1 in 2022).
- **Forward-Looking Diligence Signal:** Whether a borrower is actively funding a Capital Construction Fund account. It's an early tell of a real newbuild or reconstruction plan, often years ahead of the loan request.



RAIL MARKET OVERVIEW

U.S. Railcar Leasing Market: Stable Core, Selective Growth

- Railcar leasing remains a stable essential-asset market, with growth strongest in targeted car types and end markets. *Approximately 45% of the active U.S. fleet is leased. Tanks and covered hopper represent 58% of leased railcars.*
- *Leasing helps* shippers preserve capital, flex fleet capacity, and access specialized equipment without direct ownership risk.
- Demand is supported by agriculture, chemicals, energy, construction materials, industrial production, and intermodal logistics.
- The U.S. remains the anchor of North American railcar leasing, with continued focus on utilization, storage trends, and renewal activity.



RAIL MARKET OVERVIEW

Railcar Outlook: Opportunities and Risk Pockets

- **Opportunity areas:** Grain, plastic pellet, select tank, and intermodal-related equipment may offer stronger utilization where demand is durable. Through July 2026, US Class 1 Railroads moved 6.5MM carloads, up 2.8% over 2025 loads over the same period.*
- **Watch areas:** Oversupplied equipment classes and small cube covered hoppers may face weaker renewal economics and longer remarketing timelines.
- Tank cars require close attention to regulatory requirements, qualification cycles, service restrictions, cleaning obligations, and return conditions. **DOT-117 FAST Act.**
- Residual values are influenced by storage levels, new car pricing, shop capacity, regulatory costs, commodity demand, and lease-attached marketability.
- *Association of American Railroads 7.29.2026



RAIL MARKET OVERVIEW

Asset Management Priorities: Protecting Returns

- **Prioritize resilient assets:** Focus on cars with durable end-market demand, broad secondary-market appeal, and limited supply overhang.
- **Structure leases around lifecycle risk:** Address maintenance, return condition, cleaning, insurance, inspection requirements, regulatory modifications, and end-of-term economics.
- **Stress-test residual assumptions:** Validate FMV and OLV against appraisals, transaction evidence, storage trends, shop capacity, and compliance costs.
- **Monitor early warning indicators:** Track utilization, storage levels, renewal behavior, commodity trends, customer concentration, and off-lease exposure by car type.

