



FINANCING LANDSCAPING EQUIPMENT:

Buy, lease or rent — Which option is right for your growing business?

Fleet management is essential for optimizing productivity for landscape contractors.



FINANCING LANDSCAPING EQUIPMENT

In recent years, the landscaping industry has been exploding with activity. After the pandemic hit, people worldwide rediscovered the great outdoors, flocking to public parks and their own backyards. This shift toward a more active outdoor lifestyle has many homeowners updating their outdoor living spaces. At the same time, cities and municipalities are improving shared community spaces ranging from parks and trails to gardens and outdoor event venues.

Outdoor living is generating a flurry of work for landscape contractors right now. But, as with so many business opportunities, there are also several challenges contractors must overcome to maximize the current market conditions.

These challenges include:

- A shortage of skilled laborers
- Rapid inflation costs on materials and fuel
- Material and equipment delivery delays

When business opportunity intersects with market challenges like these, it's not always easy to get all the work done while setting your business up for long-term growth. You must have reliable, quality landscaping equipment to stay productive while also managing your day-to-day cash flow to pay employee wages and business operating costs. So, how you choose to finance landscape equipment today can significantly impact short-term and long-term business growth goals.

- Should you buy landscaping equipment with cash or finance your purchase?
- Does buying equipment make sense in today's unique market conditions, or would leasing machinery or renting it be a better option for your business?

As with everything you do as a business owner, there is no right answer for everyone when managing your equipment fleet and operating expenses. Instead, buying, leasing or renting [landscaping equipment](#) comes down to your short-term and long-term goals and the current condition of your business's finances. This guide about options for financing landscape equipment will cover the benefits and considerations of buying, leasing and renting equipment to help you explore what option is right for your growing business.





BUYING OR FINANCING LANDSCAPING EQUIPMENT

Generally, buying landscaping equipment that will be used at least 70% of the time throughout the year now and in the future may be a solid business strategy. Whether you're paying cash or financing your landscaping equipment, buying instead of leasing or renting may help your operational efficiency.

Now, everyone's familiar with how paying cash for products or services works. Paying cash for landscaping equipment helps ensure you pay the least amount of money for a purchase. However, when you pay cash for equipment, you first must have enough money in your company's cash reserves to cover the cost of the machine, taxes and potential delivery fees. That may not be a problem on small purchases, but on more significant purchases, paying cash can place a big strain on a company's financial situation, causing you to potentially finance other business expenses. Therefore, many companies choose to finance equipment purchases even if they can pay cash.

Financing equipment allows you to focus on selecting quality equipment that will last and help maintain a high resale value. But, more importantly, you have the machinery needed to help your team on the job, so you can complete projects quickly and move on to the next one. Vermeer has a long-standing partnership with [DLL](#), a global asset finance company, to provide a range of effective financing solutions that can accommodate each business' unique needs.

Benefits of financing landscape equipment

- *You own it:* Purchased equipment is an asset to your business, and it will have a residual value for years to come (this can be maximized if you buy quality equipment and maintain it well). It doesn't matter whether you pay cash or finance the purchase, when you no longer need it, you can trade it off or sell it on the used market to help fund another purchase or pay the balance on your loan.
- *You decide how to use it:* You aren't limited to a certain number of hours every month like you are with leased equipment, and you get to decide when and if maintenance is required. But keep in mind that not performing manufacturer-recommended maintenance can void warranties and impact your crew's productivity.
- *Tax benefits:* As a taxpayer, you may be entitled to cost deductions on equipment financing through [Section 179 of the U.S. Internal Revenue Code](#). Section 179 allows you to expense your equipment in a single year rather than requiring the machine's price to be capitalized and depreciated over multiple years. Contact your tax advisor for more details on this.

Considerations when financing landscaping equipment

- *Monthly payments may be higher than leasing:* When you finance an equipment purchase, the loan usually includes taxes on the purchase prices and any extras you add at the time of sale (attachments, service contracts, etc.). Those costs are spread out through the life of the loan, which can be higher than with a lease.
- *Maintenance and repair costs:* Most new equipment comes with a warranty, but you are responsible for maintenance and repair expenses.
- *Eventually, equipment needs to be replaced:* After your equipment is paid for in full, you should still consider equipment costs in your bids to help with your next equipment purchase.

FINANCING TIPS

If you've decided that financing a machine or multiple machines is the right approach for your growing business's needs, here are a few tips for the purchase process.

- *Seek flexible payment terms:* Depending on where your business is located, there may be months throughout the year when you're not doing much work. Many equipment dealerships understand this and have partnered with financial institutions that can offer flexible payment terms. Some loans may have you pay more during the busy season and skip payments during slower times. Talk to your local dealer to explore which loan terms may suit your specific needs.
- *Consider an extended service contract:* Many manufacturers and dealers offer extended service contracts for new equipment purchases. These programs are a great way to help keep your equipment in peak working order while controlling your out-of-pocket maintenance and repair expenses during the contract's term. If you're buying a Vermeer machine, you can include the price of the [Vermeer Confidence Plus® asset protection program](#) into your loan to help spread out the costs of the service contract.



LEASING LANDSCAPING EQUIPMENT

There are many reasons to consider leasing landscaping equipment instead of buying or renting. Leasing is a way of balancing your short and intermediate equipment needs with potential uncertainty about future work.



Benefits of leasing landscaping equipment

- *Lease terms can be negotiated to work as you work:* Whether you need specific equipment during the winter months for moving snow or take the winters off from hardscaping backyard living spaces, many companies offer short-term leasing options to accommodate your working needs.
- *Take payment flexibility to the next level:* There are unique usage-based programs available that allow businesses to structure their payments based on the actual hours the equipment will be operated.
- *You have the option of always running new equipment:* Many people prefer not to have the maintenance and repair needs associated with running older equipment with higher hours. If you fall into that category, leasing may let you return equipment after a couple of years' usage (depending on your lease term) and upgrade to a newer model.
- *Lease payments can be written off as business expenses:* Like insurance payments, leased property and just about any other monthly business expense, leased landscape equipment is a business expense that can be written off each year.
- *Lower initial out-of-pocket investment:* You may have to make a down payment to secure a loan when you buy equipment. On leases, most financial institutions do not require a down payment (depending on your credit rating and other factors).
- *Leasing may have lower monthly payment terms than financing:* Depending on your state, you may be able to pay for a usage percentage of that machine and may only be charged taxes on the lease payment. In some cases, your lease payment can be lower each month than what you would pay if you were financing a loan.

- *You may be able to purchase the equipment at the end of the lease:* Operating leased equipment gives you the option to buy the machine at the end of the lease term, extend the lease or return it to the lease company.

Considerations when leasing landscaping equipment

- *If you exceed the terms of the lease, there may be extra costs:* Most operating leases are based on the machine working a certain number of hours over a predetermined timeline. If you go over on hours, there will be extra money due at the end of the lease unless you decide to buy it. Underutilization could also increase costs.
- *Some lease agreements may include maintenance terms:* You don't necessarily have to have the dealer perform routine maintenance to your leased equipment, but you do need to make sure maintenance is completed in accordance with what the manufacturer recommends. Also, if anything needs to be serviced outside of normal wear and tear, you will need to pay for those fixes at the end of the lease term.
- *There is a lack of equipment equity with leased equipment:* When you finance equipment under a loan structure, you always have the option of selling it if you are no longer using it. The leasing company owns leased equipment. If you decide you no longer need the machine, you have to work out early termination arrangements with them, and there are usually extra costs involved.

LEASING TIPS

- *Add an extended service contract to your lease:* Chances are one of the reasons you choose to lease landscaping equipment is because you want to focus your attention on doing the work that is best for your business. Let the dealer take care of routine preventative maintenance to keep your crew focused on the job at hand and minimize your company's in-house service costs. Also, many dealerships, including Vermeer, can add service contracts to your lease. So, you pay the same fixed amount throughout the lease term.
- *Work with dealers who understand your specific needs:* Many financial institutions only offer specific long-term (2-year to 3-year) lease terms. But, for more individual terms on specific equipment, like trenchers, work with a dealer who understands those specific applications.



RENTING LANDSCAPING EQUIPMENT

Generally, you may want to consider renting landscaping equipment that will be used less than 25% throughout the year. But several additional factors need to be considered beyond just general use. Renting is often an excellent option, even if your use is higher than 25%.

Here are a few examples of other times to consider renting.

- A long-term project requires using a specific machine that you do not need in the future.
- There is a shortage of new or slightly used equipment currently available for purchase. With current equipment shortages happening throughout the industry, renting equipment may be your only option to get a job done. Waiting for an alternative could mean missing out on work altogether.
- The volume of projects is leaving your team short-handed. Renting equipment can extend the volume of work your team can do.
- Your current projects demand high transportation costs. With rising fuel costs, if you have projects happening on other ends of the state or even in a big city, you may be better off renting a machine for one task instead of hauling the equipment you own back and forth between projects.

Benefits of renting landscaping equipment

- *Renting allows you to only pay for equipment currently in use:* You aren't as pressured to use a specific machine as much as possible when you rent the equipment. If you don't need it from one day to the next, simply return it.
- *Most preventative maintenance and repairs are covered under the terms of the rental contract:* If you don't like having to think about maintaining equipment, renting is a way to minimize your efforts. Other than performing daily walkarounds (checking fluids, greasing, etc.), the rental company usually covers everything else.
- *Rental companies may deliver equipment right to your jobsite and pick it up when you're done:* Transporting equipment from job to job is another important part of managing an equipment fleet. If you don't have the right truck and trailer to haul a larger machine around, and you're not ready to invest in this area, renting can serve as a short-term or long-term solution.
- *You can choose the specific machine type and model size for every job:* Not every job you work on has the same level of accessibility or requires the same amount of horsepower. You can usually select a specific model to help optimize your productivity on every job when you rent.

- *Rental costs can be written off as a business expense:* Just like with leasing equipment, rental fees can be written off on your taxes. Contact your tax advisor for more details on this.

Considerations when renting landscaping equipment

- *Renting can cost more:* Renting is usually the most expensive option when compared to leasing or financing.
- *You have less control over the quality of equipment you operate:* Not every rental store carries class-leading equipment or swaps machines out regularly. If there is a specific brand of equipment you would prefer to operate, you may have to call around to get what you want. Also, on average, rental companies will hang on to equipment for 6 to 10 years. So, if you want to operate the newest equipment possible, renting may not be the right choice for you.

RENTAL TIPS

- *Check with your local dealer:* If you're looking for a specific equipment brand, start your search process by contacting the [local dealership](#) that sells it. Many dealers, including several Vermeer dealers, have small rental fleets available. If they don't, they can direct you to a nearby rental company that does carry the brand of equipment you want.
- *Explore your options:* If you're unsure whether you should rent or buy a piece of equipment for an upcoming project, talk to your equipment dealership about the possibility of arranging a rental-purchase option (RPO) agreement. Not every dealership offers this option, but the ones that do will allow you to roll over part of the rental costs into purchasing the machine if you decide to buy it.



EQUIPMENT ACQUISITION ON YOUR TERMS FOR YOUR NEEDS



For more information about the range of **Vermeer landscaping equipment** available to help your company grow, visit [vermeer.com](https://www.vermeer.com).

How you manage your equipment expenses can impact your landscaping business's efficiency and your ability to reach long-term growth. As you can see, there are several ways you can approach acquiring the equipment you need. You should choose the options that best align with your needs and future growth plans.

Of course, you don't have to make this decision independently, but you should choose who you seek guidance from wisely. For more advice, talk to an equipment dealer, like your local Vermeer dealer, who offers buying, leasing and renting options, and takes a genuine interest in your company's success. **Vermeer dealers** have access to a wide range of **flexible financing options** through DLL for financing or leasing equipment. Most dealer locations have rental options for landscaping equipment. Give them a call today to explore which solution is right for your needs.

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