

 Equity Residential

The logo for Equity Residential, featuring a stylized icon of three horizontal bars of varying lengths on the left, followed by the company name "Equity Residential" in a clean, sans-serif font.

# MEET THE TEAM



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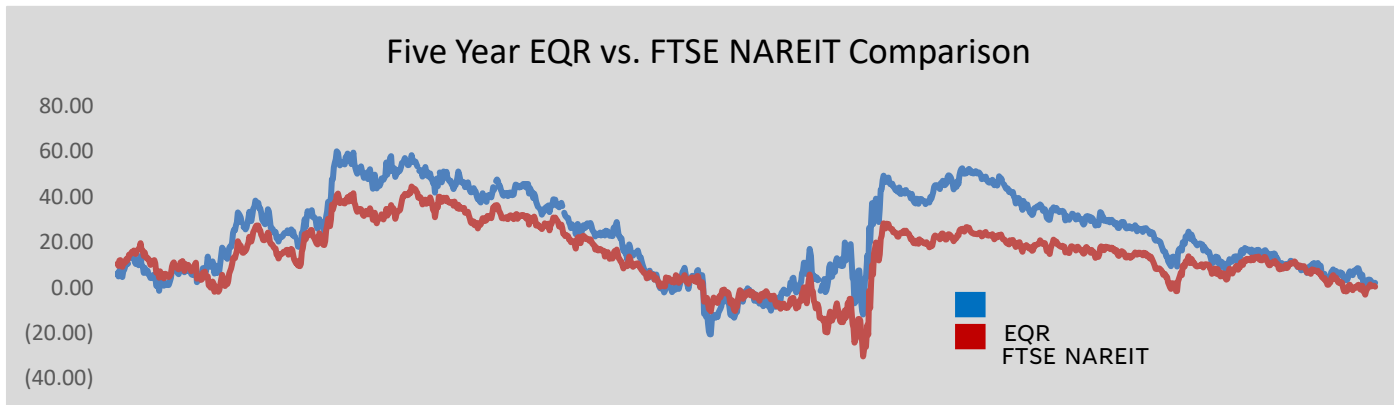
BS Real Estate,  
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# COMPANY OVERVIEW

## Company Highlights

- **About:** Equity Residential is a member of the S&P 500, focused on the acquisition, development and management of residential properties located in dynamic cities that attract affluent long-term renters. Competitors are AvalonBay, UDR, Essex Property Trust, Camden Property Trust, Sun Communities among others.
- **History:** Started by Sam Zell and has developed into the 5<sup>th</sup> largest apartment manager in the U.S. IPO was 1993 when it owned 22,000 apartments. Zell is the Chairman of the Board but has stepped aside from his CEO role.
- **Strategy:** Equity Residential owns or has investments in 308 properties consisting of 79,597 apartment units, with an established presence in Boston, New York, Washington, D.C., Seattle, San Francisco and Southern California, and an expanding presence in Denver, Atlanta, Dallas/Ft. Worth and Austin (Growth opportunity).
- **Ownership:** 92.97% institutional ownership, 1.42% insider ownership, 5.43% public ownership
- **Credit Rating:** A3 senior unsecured rating that was recently affirmed by Moody's with a stable outlook. Fitch's rating was an 'A' and was affirmed on March 15<sup>th</sup>. Reasoning for the 'A' credit rating is "sector-leading access to capital, transactional liquidity, as well as sufficient access to financing through cycles."

## SPG Daily Share Price (%)



Source: S&P Capital IQ SPG Dashboard

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## Valuation & Share Performance

### Key Valuation Statistics (\$mm)

<b>Enterprise Value</b>	<b>\$31,696</b>	<b>Revenue (FY22e)</b>	<b>\$2,735</b>
Market Cap	\$23,450	EBITDA (FY22e)	\$1,693
Price/ FFO	17.55x	EBITDA Margin	61%
Price/ AFFO*	17.56x	Net Income Margin	28%
Cash	\$53.869	Total Debt	\$7,734

\*All numbers are based on FY22e data

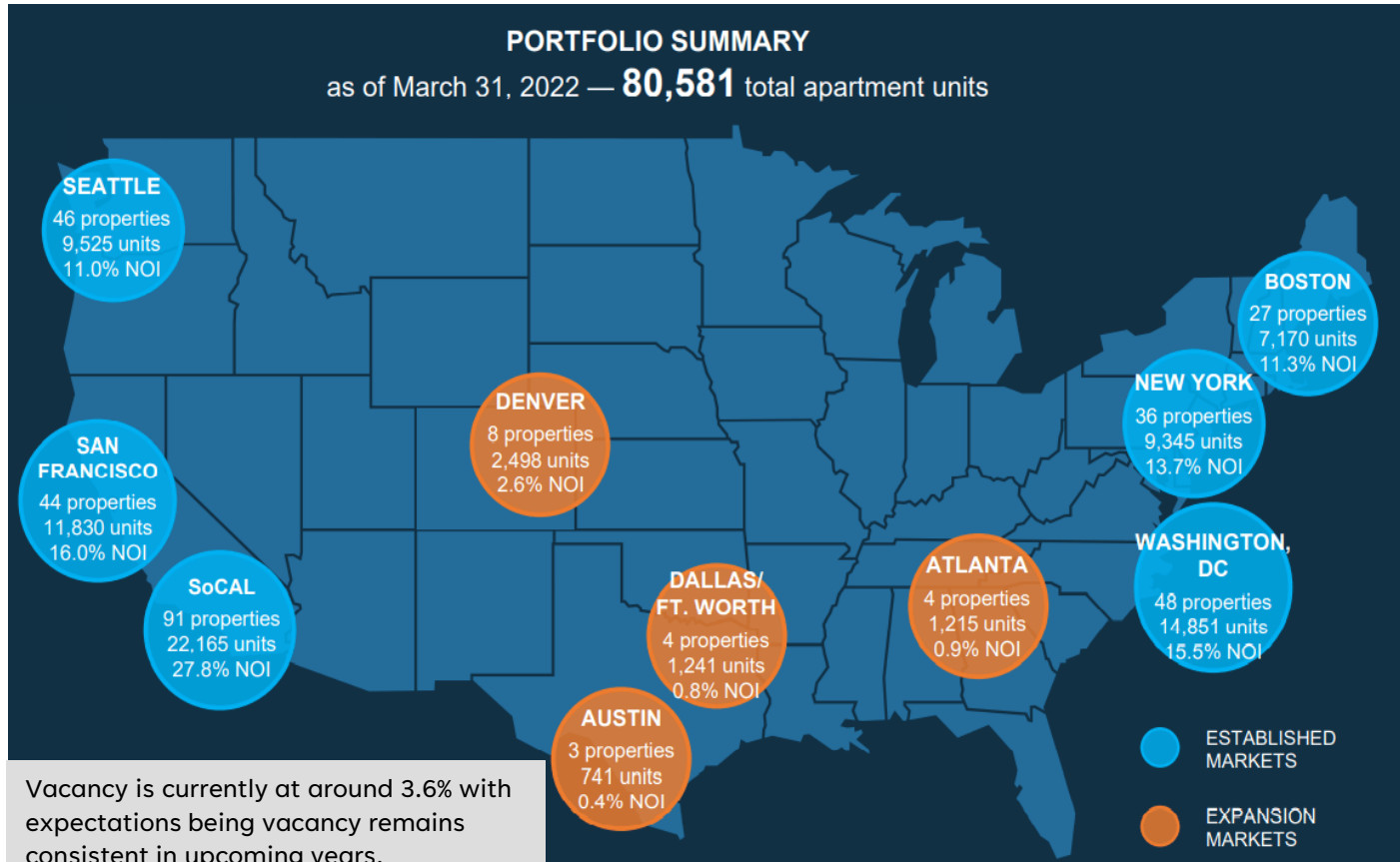
Share Price	Current: <b>\$55.99</b>	52 WK High/Low: <b>\$94.32 / \$54.60</b>
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Revenue Mix	%	Gross (\$mm)
Rental Revenue	96%	\$2,618
Parking and Other Revenue	4%	\$116

Key Metrics	Performance
Debt/ Equity	.68
Credit Rating	A3
Dividend Yield	4.78%
FFO / Share	3.53
Fixed Debt	94%
Variable Debt	6%

# HOLDINGS BREAKDOWN

## Current Holdings Map



## Notable Recent Acquisitions

### Mara Pacific Beach

**Acquisition Date:**  
3/31/22

**Acquisition Price:**  
\$113,046,000

**Location:**  
Pacific Beach, California



## Notable Recent Dispositions

### Calvert Woodley

**Sold Date:**  
9/30/22

**Disposition Price:**  
\$65,500,000

**Location:**  
Washington D.C.

### 160 Riverside Boulevard

**Sold Date:**  
7/16/22

**Disposition Price:**  
\$415,000,000

**Location:**  
New York

### 140 Riverside Boulevard

**Sold Date:**  
4/30/22

**Disposition Price:**  
\$265,650,000

**Location:**  
New York

Total Inflows and Outflows (2022)

Inflows: \$746,150,000  
Outflows: \$113,046,000

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# THE RESIDENTIAL SECTOR

## Residential Sector Analysis

- CBRE projects that nearly 3.5 million new market-rate multifamily units will be needed by 2035 to keep pace with demand.
- 450,000 units are expected to deliver in 2023, adding 2.6% to the total inventory. However, construction debt is less available and more costly, causing a slowdown in much-needed new starts.
- In the near term, as households grapple with economic uncertainty, household formation and new renter demand will struggle to keep pace with supply. Vacancy rates will continue to rise, albeit at a slower pace, and drift toward the 20-year average of 5%.
- Residential REIT's, as a whole, are down -31%; this presents investment opportunities for undervalued stocks
- CBRE calculates that the average house payment for a newly purchased home in Q3 2022 was 57% more expensive than the average monthly apartment rent, the widest cost gap on record

Figure 18: Cost of Ownership vs. Cost of Renting

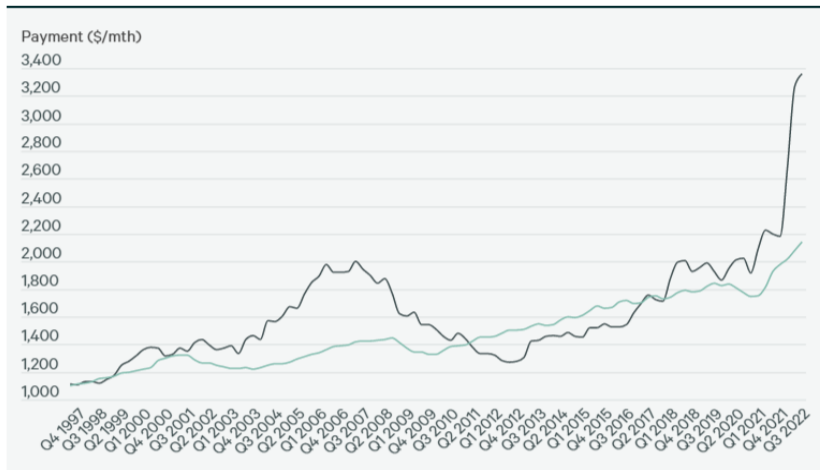
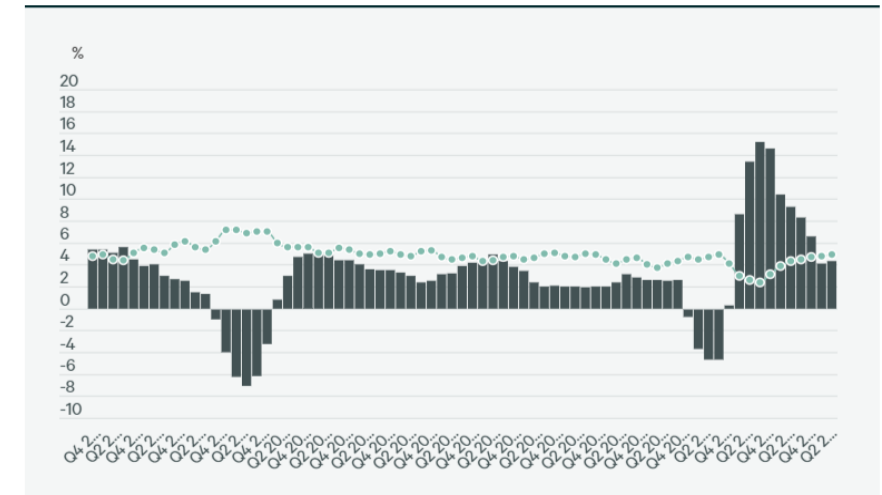


Figure 17: Multifamily Rent Growth & Vacancy Rate



Sources: CBRE Research, CBRE Econometric Advisors, Q3 2022.

## Investment Performance by Property Sector and Subsector

Sector	Number of Constituents	February 28, 2023			Dividend Yield (%)	Market Capitalization (\$) <sup>1</sup>	
		Total Return (%)				Equity	Implied
		2022	February	2023: YTD			
FTSE Nareit All Equity REITs	146	-24.95	-5.93	3.55	3.90	1,220,144,993	1,246,607,543
FTSE Nareit Equity REITs	139	-24.37	-4.80	5.36	3.96	1,011,637,019	1,038,076,710
<b>Residential</b>	20	-31.34	-3.64	5.53	3.35	181,093,895	187,328,186
Apartments	15	-31.95	-2.37	6.38	3.64	122,148,596	125,729,300
Manufactured Homes	3	-28.34	-6.98	2.58	2.50	30,378,843	31,161,231
Single Family Homes	2	-31.88	-5.31	5.15	2.99	28,566,456	30,437,656

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# FINANCIALS

## Financial Breakdown – Net Asset Value

### 2022FY NAV Breakdown

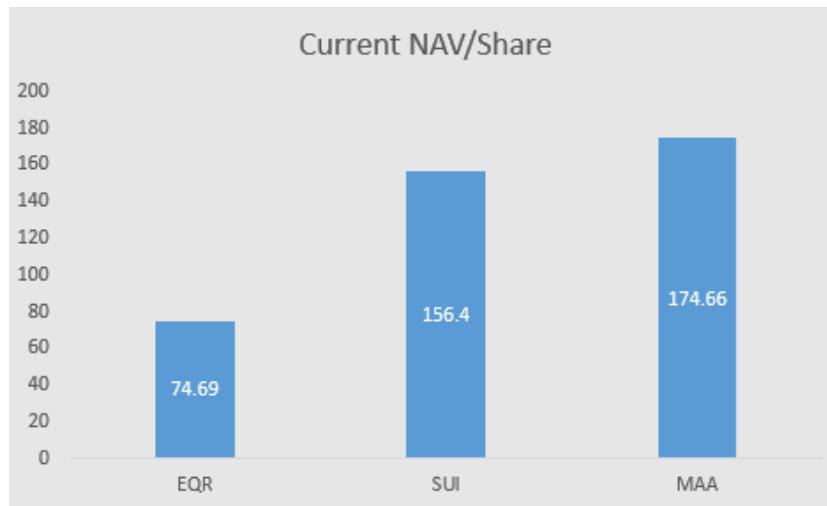
<i>Average Derived Cap Rate (2018FY-2022FY) (%)</i>	5.11
<i>Price/NAV @ 4.0%</i>	59.93
<i>Price/NAV @ 6.0%</i>	100.27
<i>Price/NAV @ 10.0%</i>	217.29
<i>NAV per Share @ 4.0% (\$)</i>	98.45
<i>NAV per Share @ 6.0% (\$)</i>	58.84
<i>NAV per Share @ 10.0% (\$)</i>	27.15
<i>NAV @ 4.0% (\$mm)</i>	38,480
<i>NAV @ 6.0% (\$mm)</i>	22,998
<i>NAV @ 10.0% (\$mm)</i>	10,612

The NAV for Equity Residential illustrates a 23.2% discount to NAV. When compared to the Dow Jones Equity All REIT Index with a 10.3% discount, EQR looks to be selling at an attractive discount.

After averaging the last five years (2018FY – 2022FY), the cap rate came out to 5.11%. Accounting for future uncertainty we came to a 5% cap. This demonstrates a Price/Nav of 79%, NAV per Share of \$74.69, and NAV of \$29,191 (\$mm).

All three metrics present a discounted price for EQR. Relating the findings to the above on the right, in 2023 the Price/NAV has dropped to 81.1%. This depicts a current 18.9% discount to NAV at a closing price of \$61.94.

The outlook on Equity Residential real estate holdings is viewed as positive due to high quality and strong geographic placement.



### Current Share Values (3/22/23)

EQR- \$56.82  
 MAA- \$143.53  
 SUI - \$131.55

### NAV Comp

Entity	Pricing Date	Price/NAV	Closing Price (\$)	Premium/ Discount
Equity Residential	3/8/23	81.1	61.94	-18.9
Dow Jones Equity All REIT Index	3/8/23	91.8	NA	-6.6

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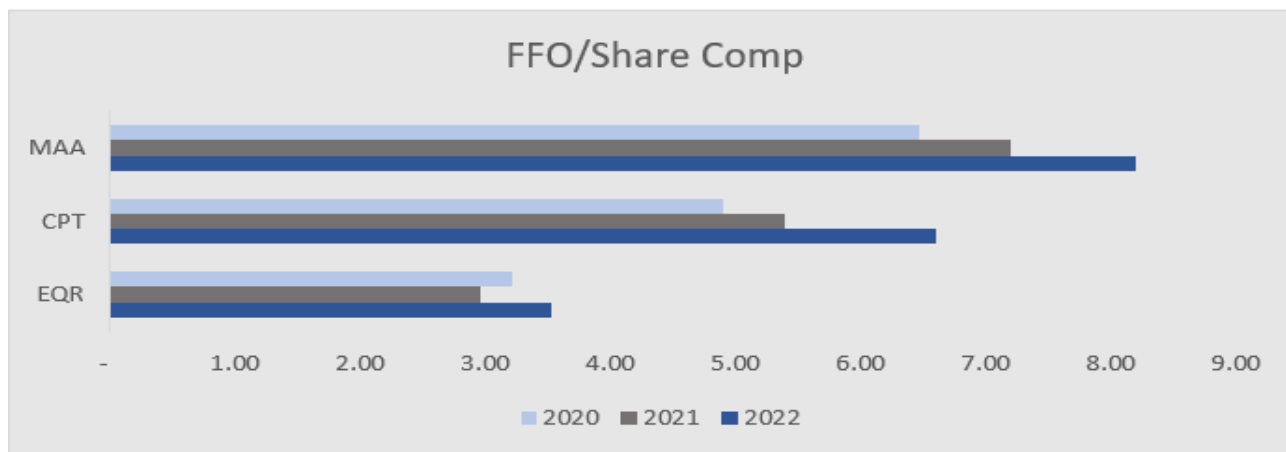
## FFO Breakdown

### EQR FFO Overview

	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY
<i>FFO</i>	1,218,752	1,280,690	1,186,508	1,135,681	1,253,732
<i>FFO/Share</i>	3.14	3.39	3.21	2.96	3.53
<i>FFO Growth (%)</i>	4.42	5.08	(7.36)	(4.28)	19.20
<i>FFO/Share Growth (%)</i>	7.14	7.96	(5.31)	(7.79)	19.26

- Equity Residential Price/FFO is lower than Sun Communities and Mid America Apartment Communities which are currently held in the portfolio
- EQR's FFO/Share Growth (%) was nearly +20% in 2022; highest it's been in five years
- MAA and CPT's FFO/Share has been higher than EQR over the past three years

### FFO Comparison to MAA and CPT



REIT Name	Price/FFO
AvalonBay Communities, Inc. (NYSE:AVB)	17.96
Mid-America Apartment Communities, Inc. (NYSE:MAA)	19.01
Invitation Homes Inc. (NYSE:INVH)	20.95
Essex Property Trust, Inc. (NYSE:ESS)	16.96
UDR, Inc. (NYSE:UDR)	19.13
Sun Communities, Inc. (NYSE:SUI)	20.76
Camden Property Trust (NYSE:CPT)	17.2
American Homes 4 Rent (NYSE:AMH)	21.97
Equity LifeStyle Properties, Inc. (NYSE:ELS)	24.96
Apartment Income REIT Corp. (NYSE:AIRC)	17.26
<b>Equity Residential (NYSE:EQR)</b>	<b>17.55</b>

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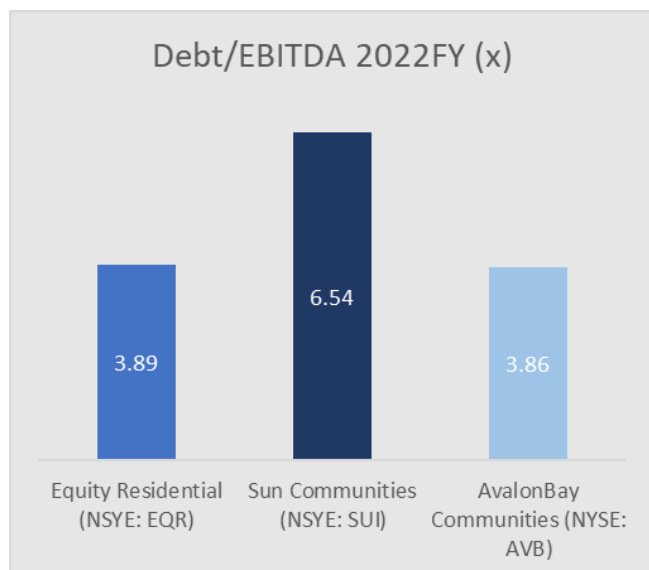
# FINANCIALS

## Debt Overview

### Key Debt Ratios

Debt Ratios	2022FY
Total Debt/ Total Capitalization	25.09%
EBITDA/Interest Expense	6.89x
Variable-rate Debt/ Debt	6.14%
Fixed-rate Debt/ Debt	93.86%

### Debt/EBITDA Comparison



### Total Debt (\$mm)

Year	Total Debt (\$mm)
2018FY	\$8,818
2019FY	\$9,368
2020FY	\$8,373
2021FY	\$8,653
2022FY	\$7,425

EQR stated in their 10-K, Interest expense is expected to be \$210 million annually for the next five years with total remaining obligations approximately \$2.3 billion (next 5 years).

### Debt Maturity Schedule as of December 31, 2022 (\$ in thousands)

Year	Fixed Rate	Floating Rate	Total	% of Total
2023 (2)	\$ 800,000	\$ 198,275 (1)	\$ 998,275	13.3%
2024	—	6,100	6,100	0.1%
2025	450,000	53,180	503,180	6.7%
2026	592,025	9,000	601,025	8.0%
2027	400,000	9,800	409,800	5.5%
2028	900,000	10,700	910,700	12.1%
2029	888,120	11,500	899,620	12.0%
2030	1,095,000	12,600	1,107,600	14.8%
2031	528,500	39,700	568,200	7.6%
2032	—	28,000	28,000	0.4%
2033+	1,350,850	110,900	1,461,750	19.5%
Subtotal	7,004,495	489,755	7,494,250	100.0%
Deferred Financing Costs and Unamortized (Discount)	(53,328)	(15,200)	(68,528)	N/A
Total	\$ 6,951,167	\$ 474,555	\$ 7,425,722	100.0%

Source: EQR 2022 10-K

Note: \$130 million of Floating Rate debt in 2023 is principal outstanding in Company's commercial paper program

### Per Year Debt Breakdown

Year	% of Total Debt	\$ of Debt Maturing (\$mm)
2023	13.3	998
2024	0.1	6
2025	6.7	503
2026	8.0	601

### Effective Interest Expense

2021FY	3.52%
2022FY	3.68%

We see the effective Interest expense increasing due to exposure in variable-rate debt. Although this increase is expected to be manageable due to the low allocation (6%) in this debt and a large portion of it coming off the books in 2023. Also, hedging instruments have been deployed to minimize the impact.

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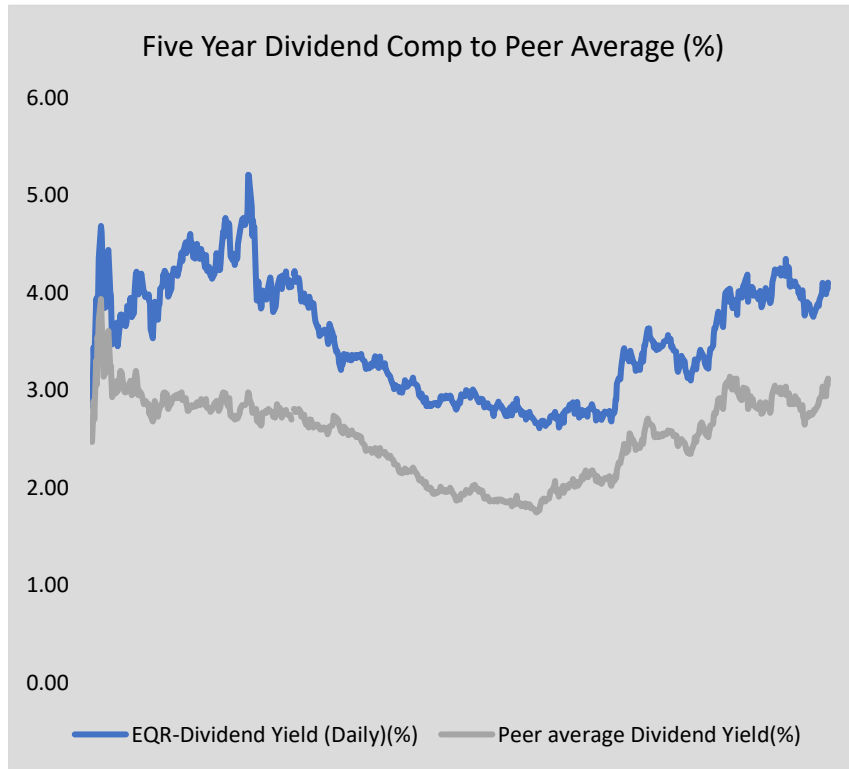


# DIVIDEND ANALYSIS

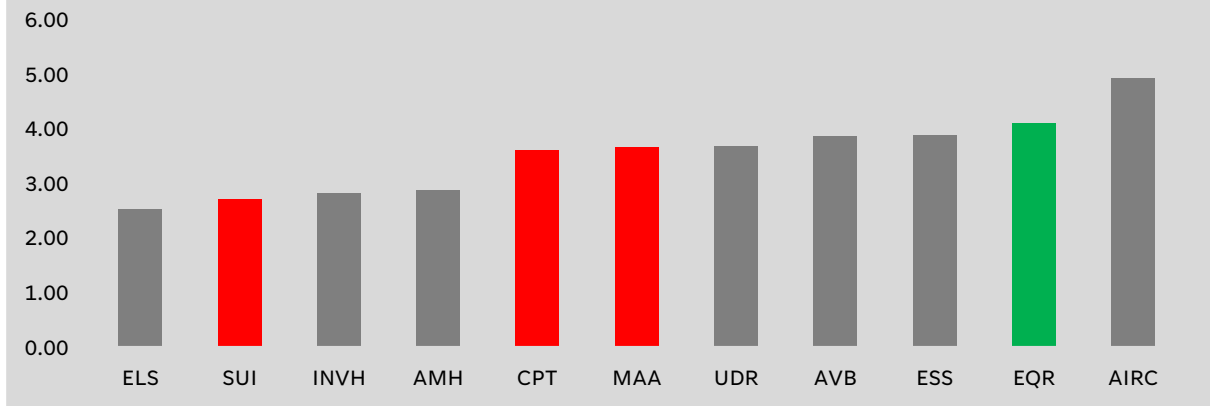
## Dividend Breakdown

### Equity Residential Dividend Analysis

	2018Y	2019Y	2020Y	2021Y	2022Y
Dividend Yield (%)	3.27	2.81	4.07	2.66	4.24
Dividend (\$)	\$2.16	\$2.27	\$2.41	\$2.41	\$2.50



### Current Dividend Yield Comparison (%)



### Dividend Comparison Analysis

Entity Name	Common Dividends Declared per Share (\$)	Dividend Growth Rate (%)	LTM Dividend Payout Ratio (%)	Dividend Yield (%)
Mid-America Apartment Communities, Inc. (NYSE: MAA)	4.99	14.02	91.01	3.66
Sun Communities, Inc. (NYSE:SUI)	3.52	5.79	178.50	2.70
Camden Property Trust (NYSE:CPT)	3.76	9.94	63.25	3.61
Equity LifeStyle Properties, Inc. (NYSE:ELS)	1.64	11.36	80.39	2.52
Equity Residential (NYSE:EQR)	2.50	2.80	121.95	4.11
Average	3.48	10.28	103.29	3.12

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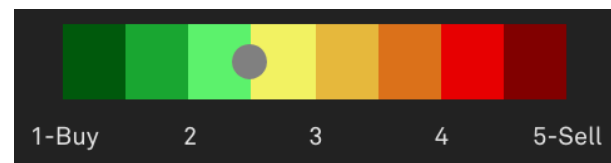
# ADDITIONAL INFORMATION

## Occupancy

Occupancy	% Occupied
Market - Multifamily	95%
Equity Residential	96.4%

## Construction Pipeline

Name	City	State	% Owned
The Settler	Fort Worth	Texas	75.00
Solana Beeler Park	Denver	Colorado	90.00
Reverb	Washington	D.C.	92.00
Remy	Frisco	Texas	75.00
Lyle	Dallas	Texas	75.00
Laguna Clara II	Santa Clara	California	100.00
Alloy Sunnyside	Denver	Colorado	80.00
Alexan Harrison	Harrison	New York	62.00



**2.48**  
Outperform

## Insider Trading

- Within the last three months there have been a net positive (\$) insider trades
- Within the last year there has been a net negative insider trades (\$) due to the stock price reaching \$90+
- Currently with the stock price below \$60, and founder Sam Zell recently purchasing more shares, we believe insider trading portrays a positive signal.
- The five-year outlook initially looks concerning, but with further analysis it can be concluded the net negative insider trades are not be weighed too heavily due to the stock price trading around its value 5 years ago.
- With the exception of COVID, the stock price has majorly traded above the current share price

### Insider Trading Flows

Metric	Last 3 Months	Last 1 Year	Last 5 Years
Share Value Bought (\$M)	5.9	11.7	143.1
Share Value Sold (\$M)	1.82	16.46	313.36
Buyers to Sellers	11 - 8	17 - 9	25 - 20

## Analyst Coverage

	Target Price (\$)	LT Growth (%)	IND. NAVPS (\$)	Cap Rate (%)
Mean	70.55	8.55	76.38	5.11
Median	70	7.05	75.71	5
High	95	15.51	88	5.6
Low	58	4.6	65.27	4.7
Standard Deviation	8.31	4.28	5.52	.31
Number of Analysts	22	4	17	13

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# RECOMMENDATION

Recommendation: BUY

Our recommendation is BUY with a 2.5% (\$55,000) allocation

- Equity Residential is down approximately 45% from its peak in 2022
- Consistent high credit rating that emphasizes financial stability and flexibility
- EQR maintains a stable balance sheet with a strong dividend yield
- Has a strong portfolio of highly sought after locations.
- Many analysts believe the stock is currently undervalued with a target price of \$70 per share.
- Trading below calculated NAV per share

## Risk Factors

- Recession concerns due to a high interest rate environment and bank failures, meaning it may be difficult to keep pushing up rents amidst macro-economic difficulties.
- Centralized in California at 44% (28% Southern California and 16% San Francisco) of EQR's NOI, raises limited diversification risk.
- Regulatory policies (eviction moratoria, landlord-tenant regulations, rental caps) in some markets that have impeded revenue growth or rent collections (Moody's)

## Mitigants

- When looking at long term trends, residential real estate has appreciated overtime, if EQR can continue to acquire and develop in desirable locations, its value will continue to climb.
- EQR's portfolio currently has a high occupancy rate with a strong development pipeline. New developments show a commitment to expand presence outside of California.
- EQR has a highly experienced management team with decades of experience, and a well performing record of acquiring, developing, and managing residential real estate.

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