

**Riverpark** – Redmond, WA


**340 Fremont** – San Francisco, CA

# Barclays Financial Services Conference

**SEPTEMBER 9, 2014**

Equity Residential

# Equity Residential (NYSE: EQR)

- Focused on the acquisition, development and management of high-quality rental apartment properties in top U.S. growth markets
- Portfolio of 397 properties consisting of 111,491 rental apartment units valued at more than $35 billion
- 96% occupied
- $2.5 billion in annual revenues
- 2014 same store NOI growth expectation: 4.5% to 5.0%
- S&P 500 company



## Rosslyn
ARLINGTON, VA



## Fremont Center
FREMONT, CA



## Beatrice
NEW YORK, NY

# Why Multifamily?
# Why Equity Residential?

# Why Multifamily?

- Strong Demand
- Manageable New Supply
- Societal Changes in Housing Preferences from Buying to Renting

# Why Equity Residential?

# Apartment Value Drivers

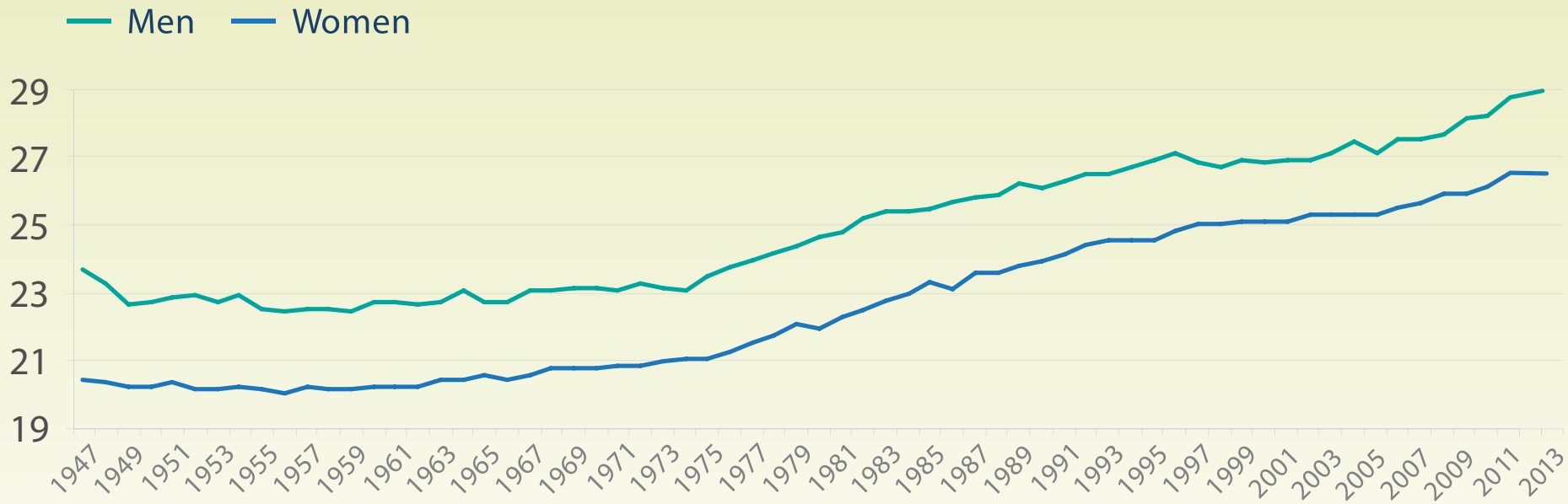
- Strong current demand
- Future demand promising
- Job growth improving
  - Unemployment rate of the college educated is 3.3%
- Declining homeownership rate
  - Homeownership not as economically or socially appealing
- More than 6.5 million new households will be formed from 2013-17
  - More than 1 million expected to end up in institutional grade rental apartments
- Supply of new apartments managable
  - Permits and Starts for new supply have plateaued
  - Represents only 1% of inventory each year, net of obsolescense

# 80 Million Echo Boomers Will Drive Demand

- 4 million people turning 20 every year through the end of the decade
- Forming households and creating demand
  - 60% to 70% propensity to rent
- There are more than 21 million people ages 18-31 living with mom and dad – about 3 million more than 5 years ago

# Young People Are Marrying Later

## Median age at first marriage






Source: U.S. Census, The National Marriage Project - University of Virginia

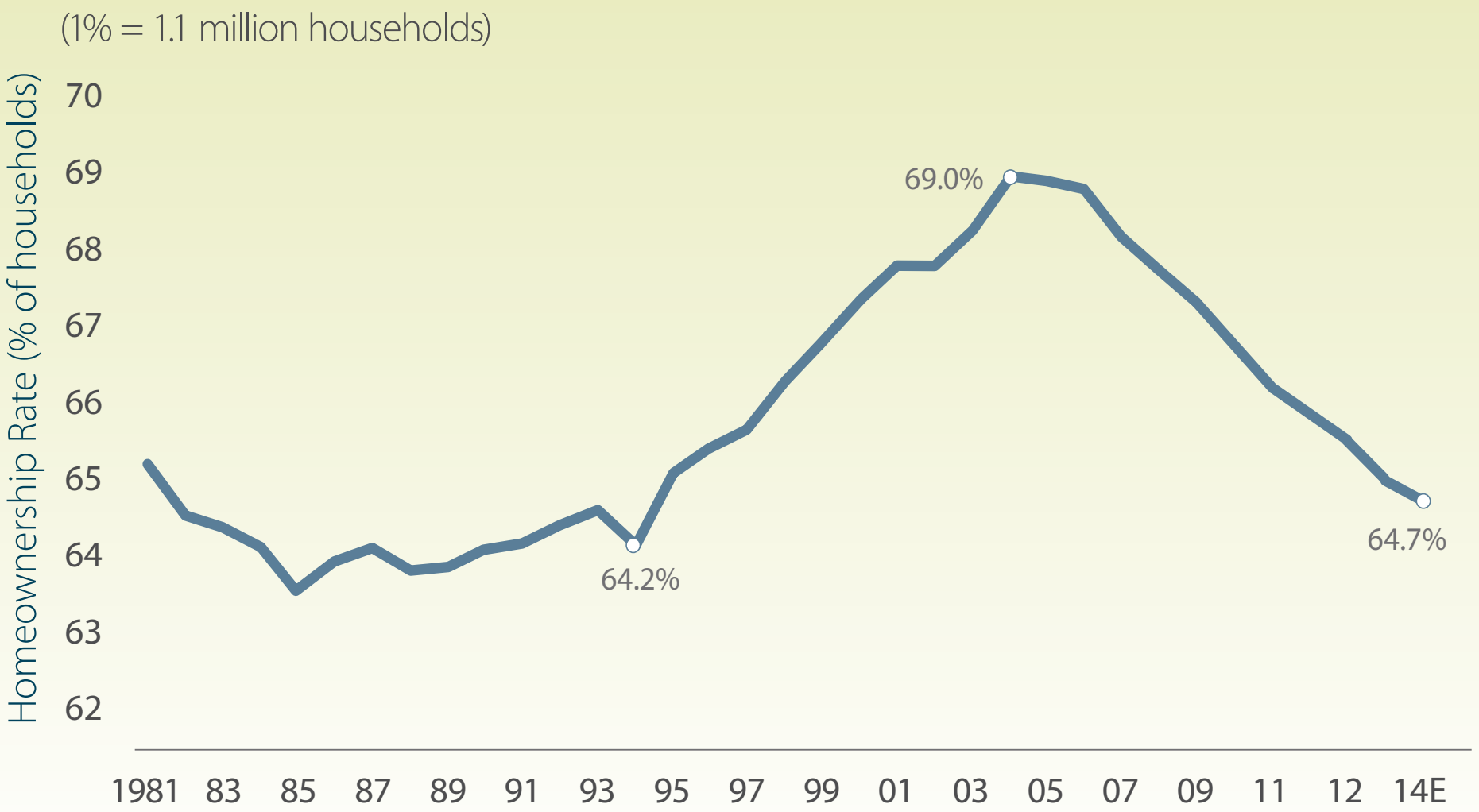
# Buying a Home is a Lifestyle Choice

- Lifestyle issues top reasons for buying a home
  - Two adults with a child most likely cohort to buy a home
    - Good place to raise children
    - Can have more space for family



Source: Joint Center for Housing Study at Harvard University and company data.

# The Decline in Homeownership Has Created More Renter Households



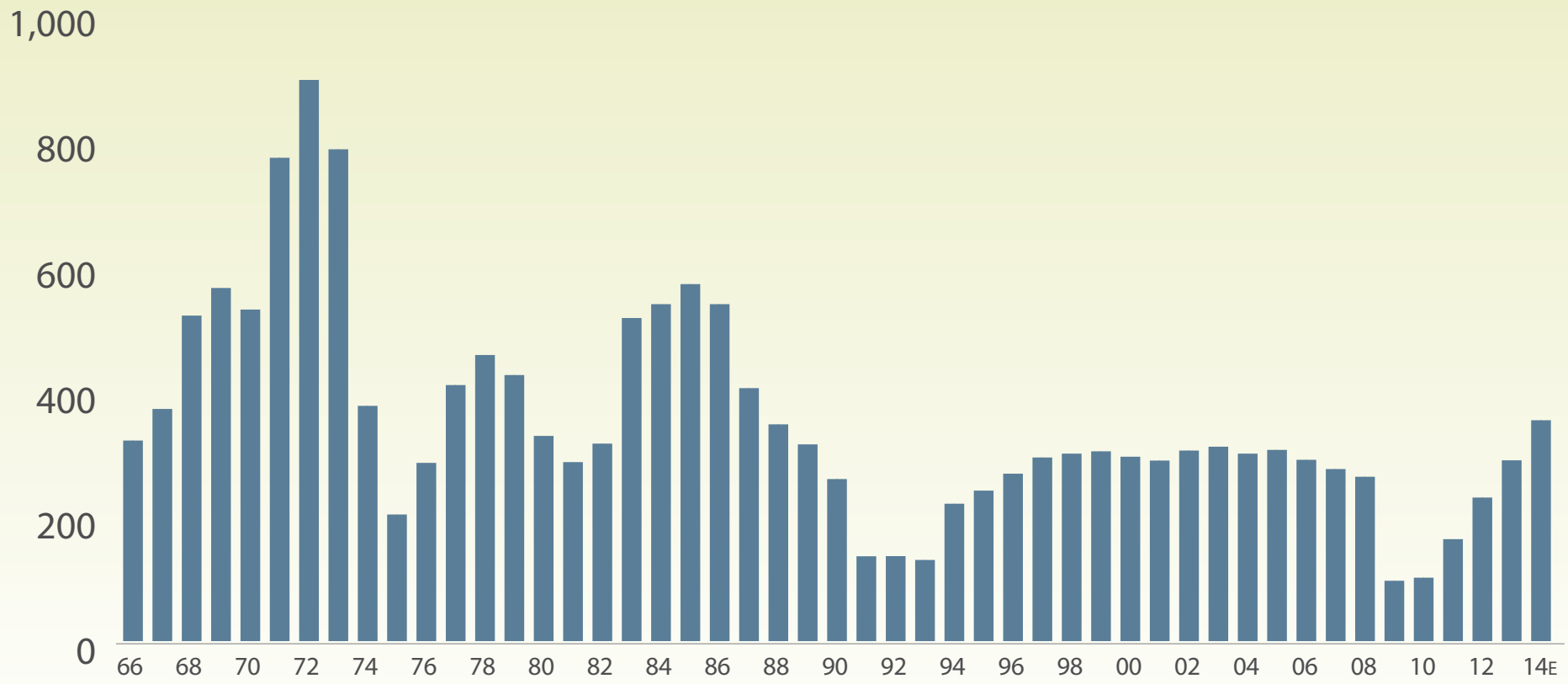



Sources: US Census Bureau, Moody's Analytics & EQR Market Research

# While Starts Have Risen Nationally They Are Still Well Below Historical Levels

## Current Starts are 1.0% of Inventory

**Total Multifamily Starts** (units in thousands)






Source: U.S. Census Bureau, NMHC and company reports

## Why Multifamily?

# Why Equity Residential?

– Portfolio
– Performance
– Balance Sheet
– Superior Capital Allocation and Value Creation

# Why Equity Residential?

- Portfolio concentrated in high-barrier, high-growth markets
- Superior utilization of state-of-the-art operating platform
- Proven track record of capital allocation in opportunistic acquisitions and focused development
- Excellent growth in asset value
- Conservative balance sheet and superior liquidity through access to multiple sources of financing
- Excellent risk-adjusted total returns from growth in dividends and stock price appreciation

## Why Multifamily?

# Why Equity Residential?

**– Portfolio**

– Performance

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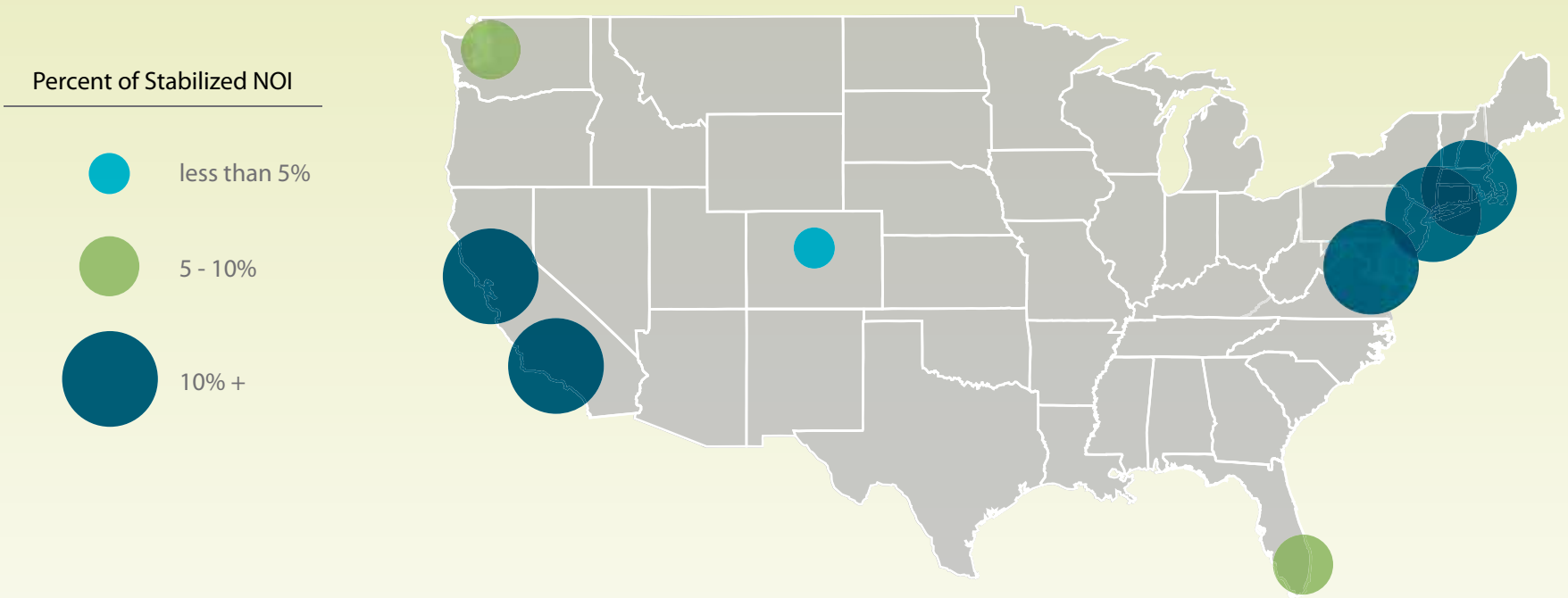
– Superior Capital Allocation and Value Creation

# Investment Strategy

We seek to acquire and build apartment properties that give us the highest risk-adjusted total returns. In our more than 30 years of experience in the apartment business, we have found that these properties are located in markets with:

- high costs of homeownership
- barriers to new apartment supply in the form of land constraints and government restrictions
- substantial job growth and household formations
- attractive lifestyle for residents to live, work and play

# Equity Residential Portfolio





Park Connecticut
WASHINGTON, DC



Veloce
REDMOND, WA



Prism at Park Avenue South
NEW YORK, NY

# We Are Focused on the Highest-Quality Apartment Rental Markets

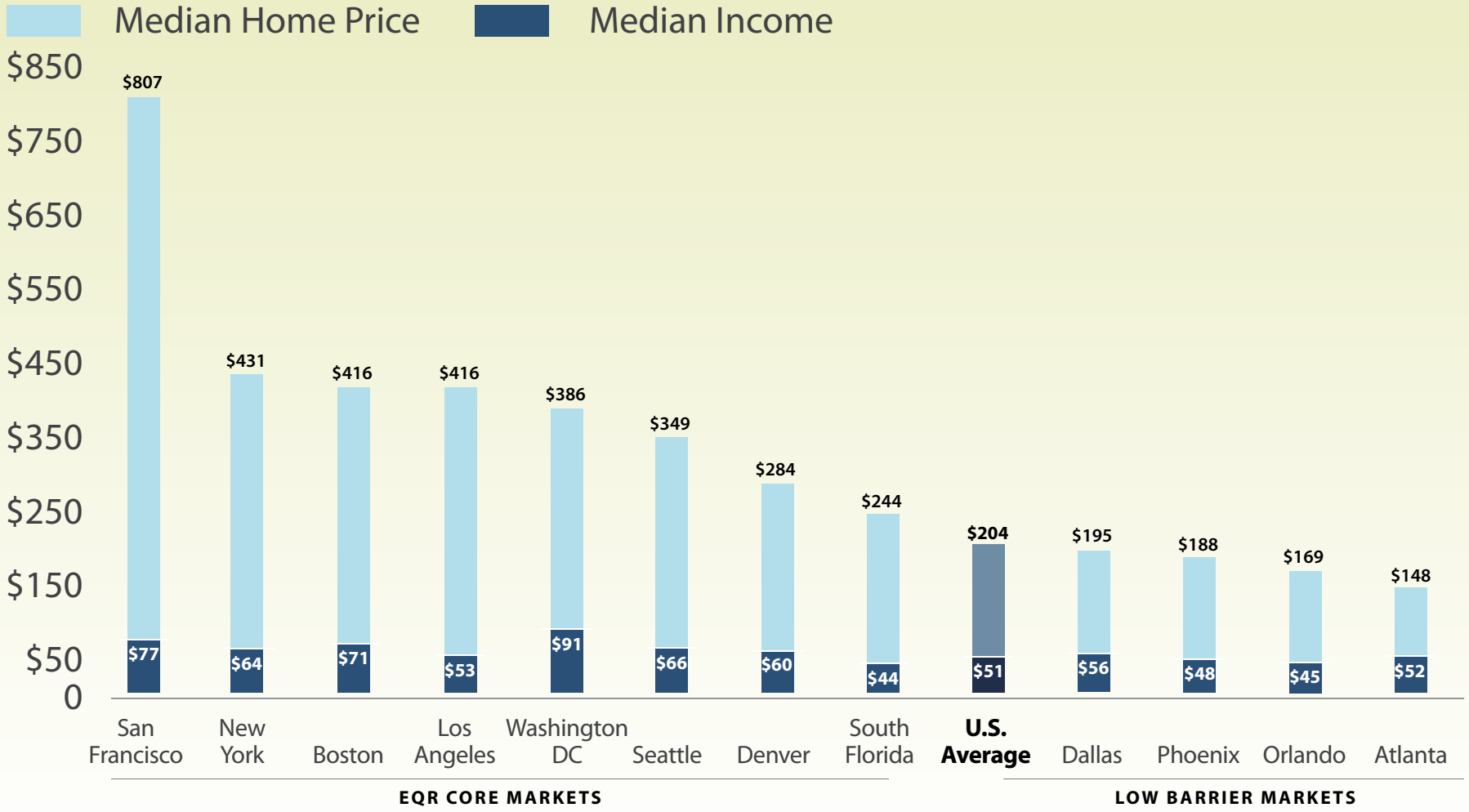
- Highest Median Resident Incomes:
  - All US Markets: $51,579
  - EQR Core Markets: $66,217
  - EQR Residents in Our Core Markets: $89,028
- Highest Average Monthly Rents:
  - All US Markets: $1,153
  - EQR Core Markets: $1,949
  - EQR Residents in Core Markets: $2,231
- Best Demographics for Renting Apartments:
  - EQR Core Markets Profile:
    - Median age: 34
    - Singles: 44%
    - 20-34 Year olds: 53%
    - Two adults without children: 35%
    - 55+ Year olds: 14%
  - Our Target Demographic is 4 Million or 16% of the Households in Our Markets
- Highest Median Single Family Home Prices:
  - All US Markets: $204,000
  - EQR Core Markets: $471,000

Lead to

**BEST LONG-TERM INCOME GROWTH AND ASSET APPRECIATION.**

# Homes are Expensive in EQR Core Markets

## Median Income vs. Median Home Price Per Market (in thousands)

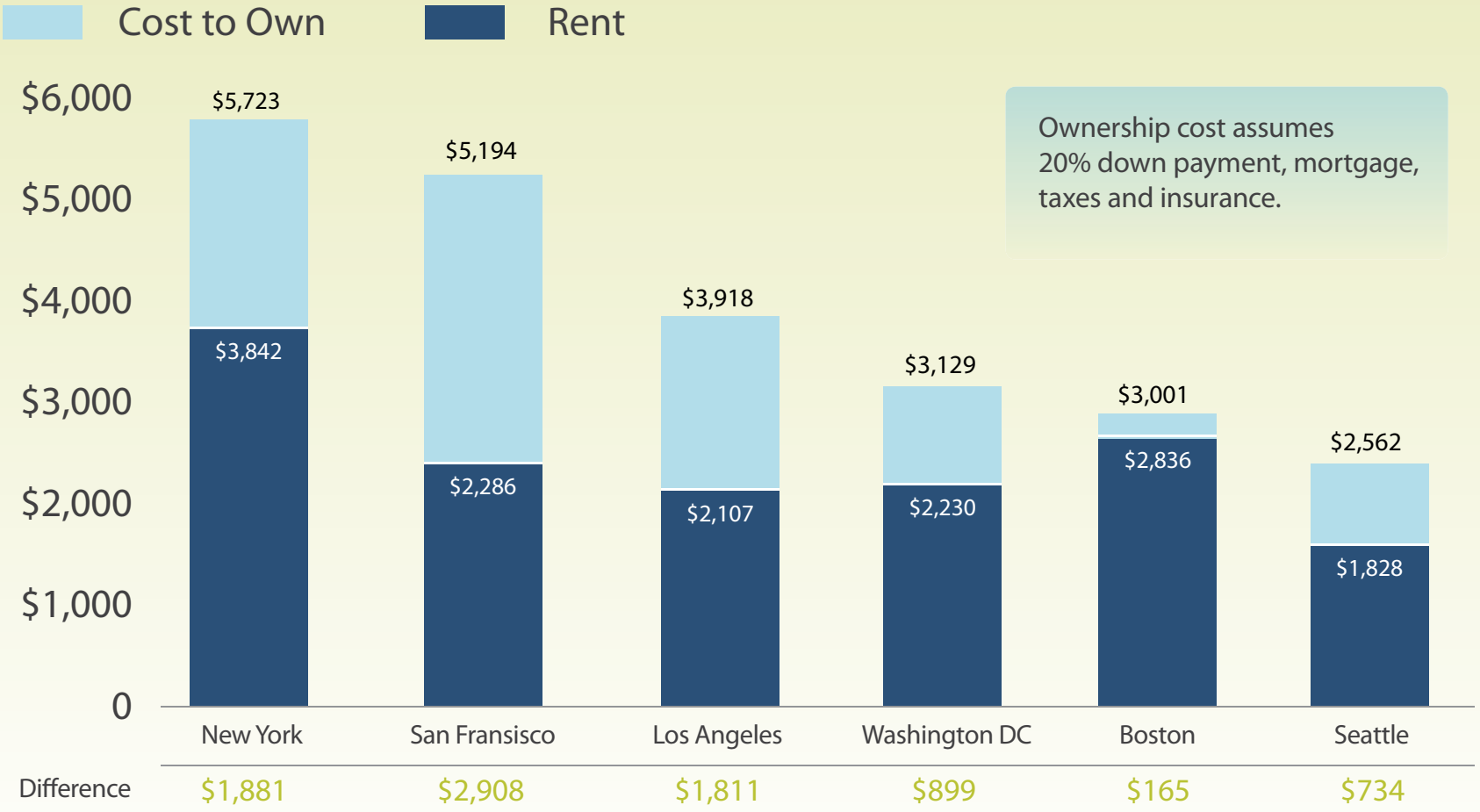





Source: Claritas, Moody's Economy.com and Company Data

# Renting is the More Attractive Option in Our Core Markets

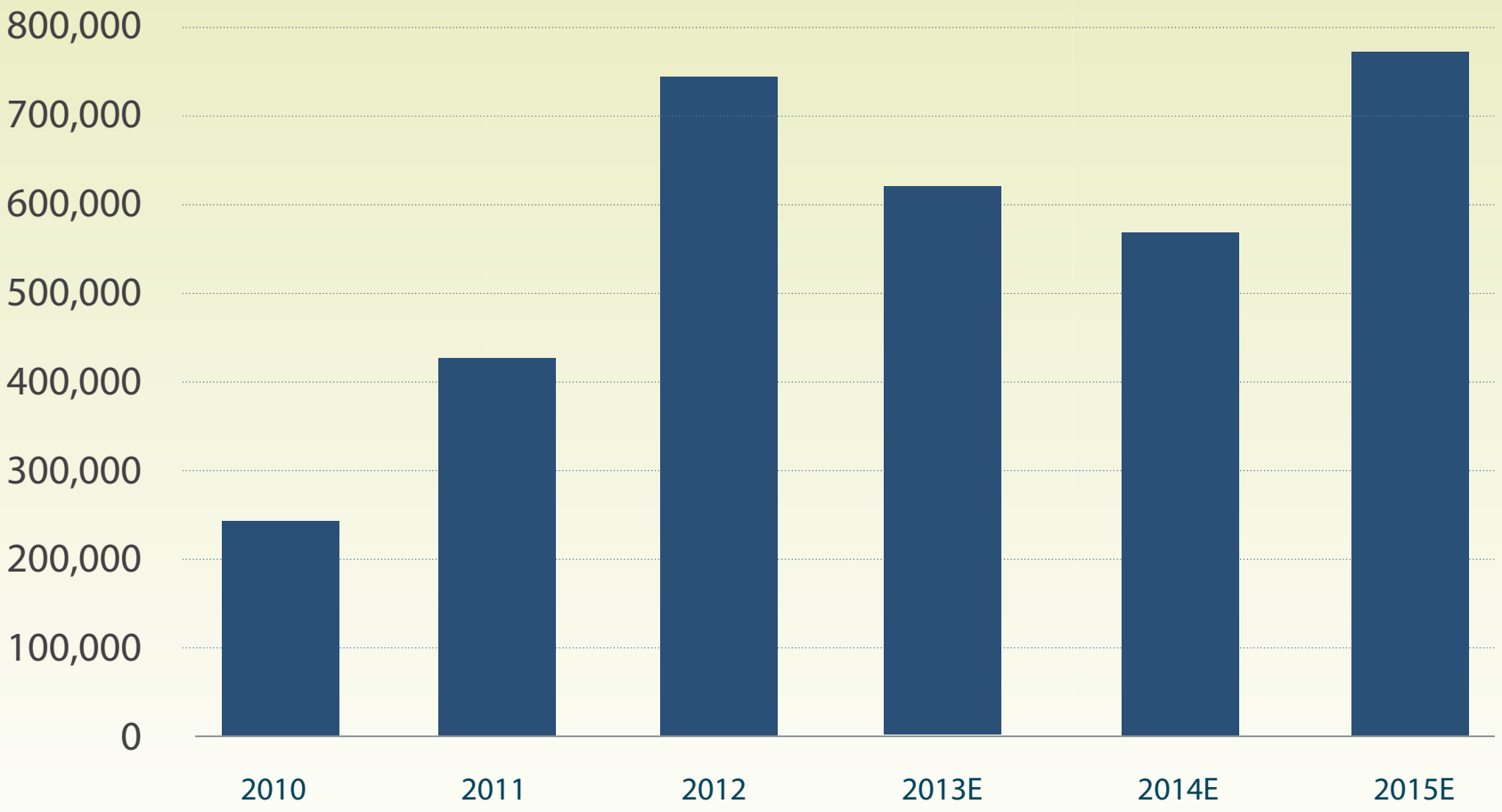
## Average Cost to Own vs. Average Rent in EQR Zip Codes





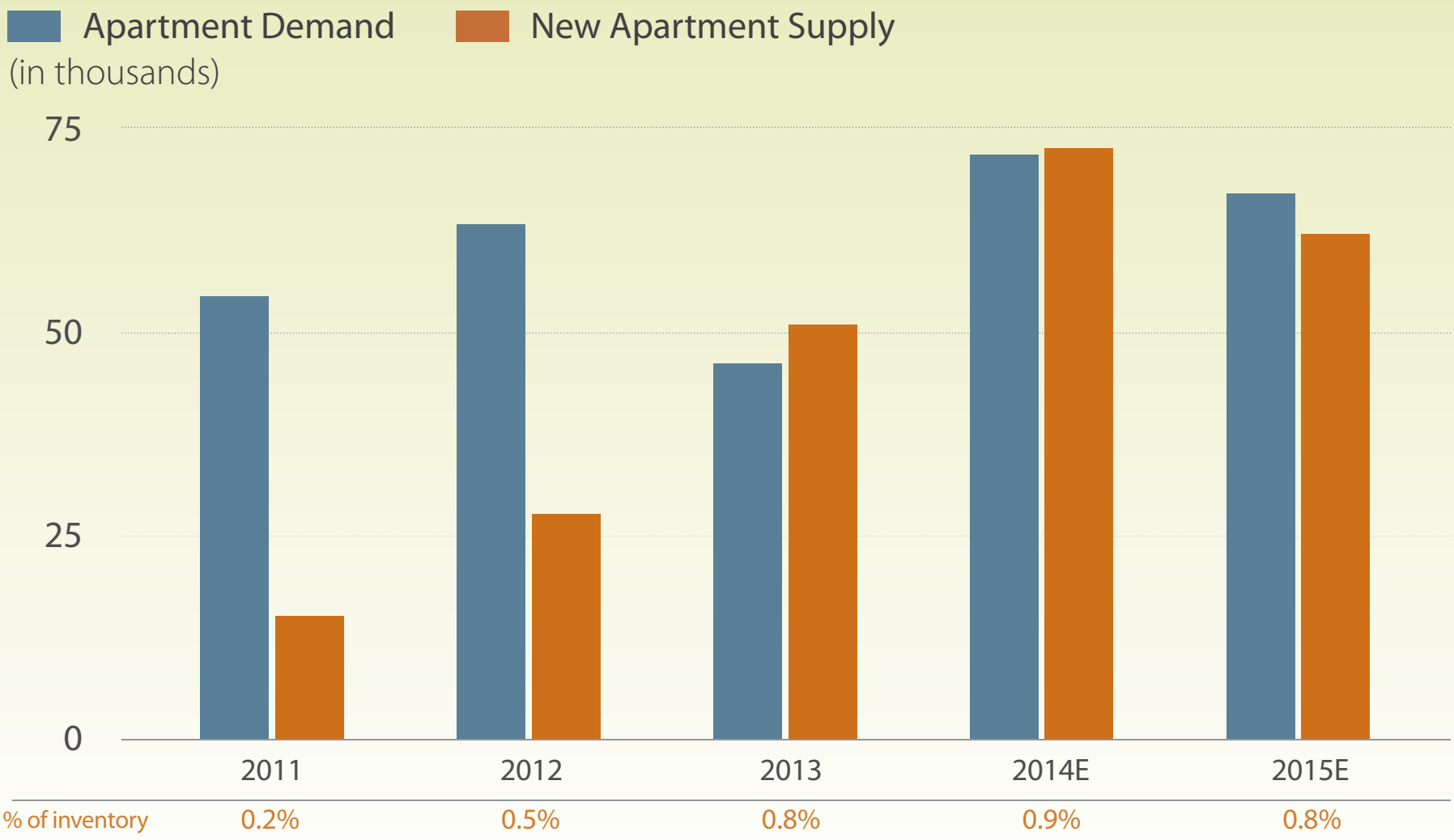

Source: CoreLogic, Company Data

# New Jobs Created in EQR Core Markets




Core markets include Boston, New York, Washington DC, South Florida,Denver, Southern California. San Francisco and Seattle.
Source: Moody's Analytics

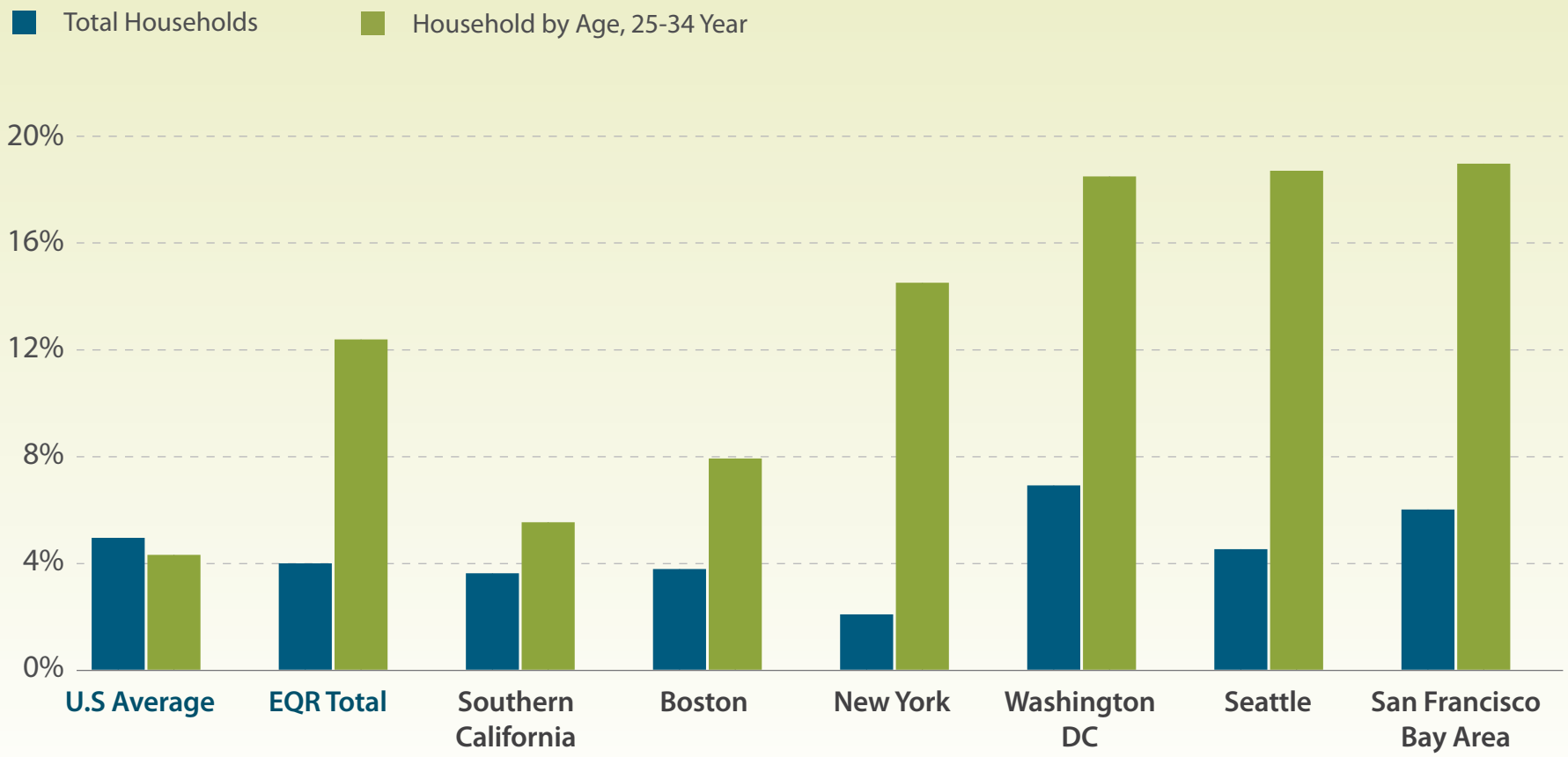
# Manageable New Supply in EQR Core Markets




Core markets include Boston, New York, Washington DC, South Florida,Denver, Southern California. San Francisco and Seattle.
Source: Moody's Analytics, Green Street Advisors, MPF, EQR Research

# Strong Household Formations by Our Key Demographics in Our Core Markets

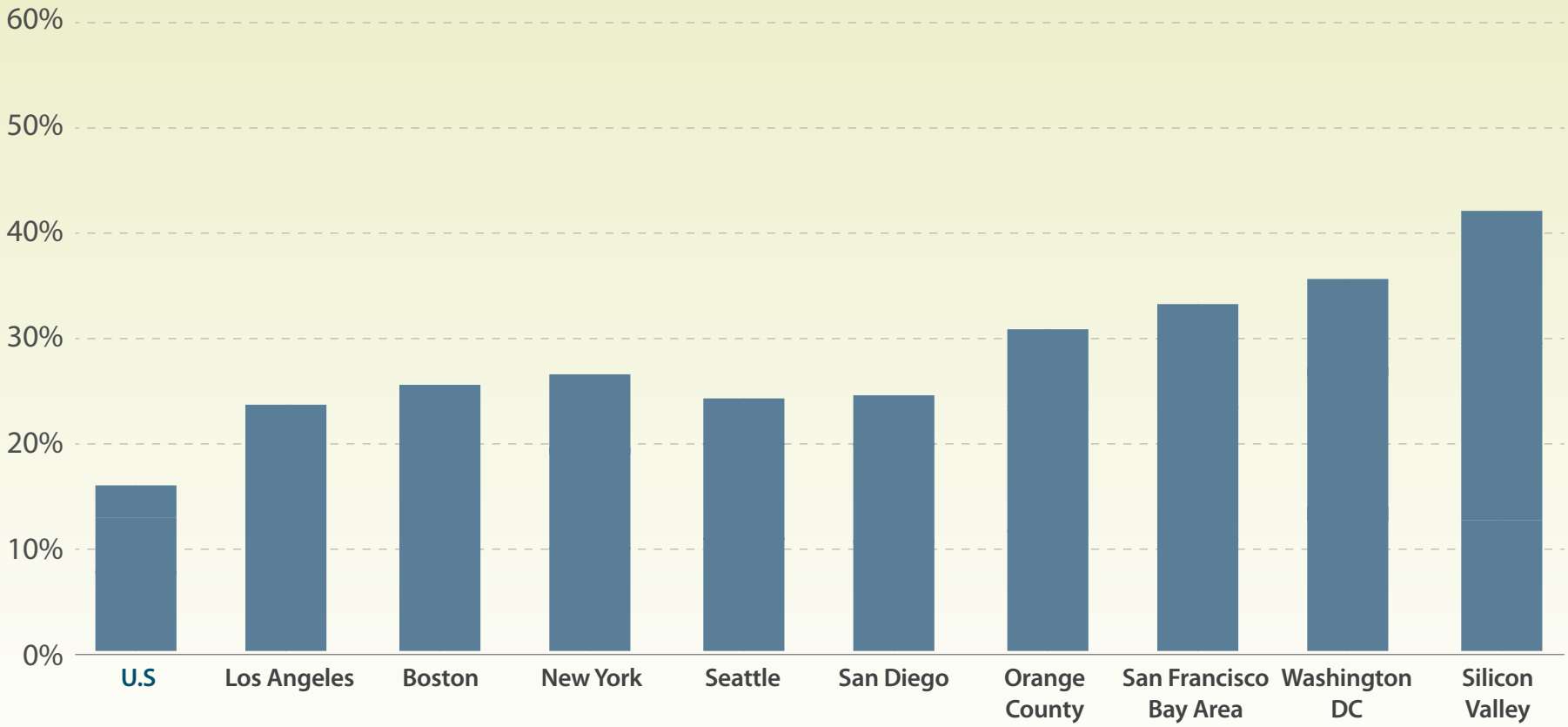
## Growth in Household Formation
(households in millions)




Source: Census, Rosen Consulting

# Broad Pool of Potential Renters in EQR Core Markets

## Percentage of Renter Households with Incomes Over $75,000 in Our Markets




Source: Census, Rosen Consulting

# Best Portfolio in the Best Markets – EQR in New York








38 properties
10,330 units
16.7% of NOI
96.2% occupied
Average rent: $3,842

**WALK SCORE:**

| | |
|---|---|
| Our Properties | 93.0 |
| REIT Competitor Average | 77.6 |

**EQR RESIDENT PROFILE:**

| | |
|---|---|
| One adult | 48.8% |
| Two adults | 32.3% |
| One adult with children | 10.1% |

**MARKET STATS:**

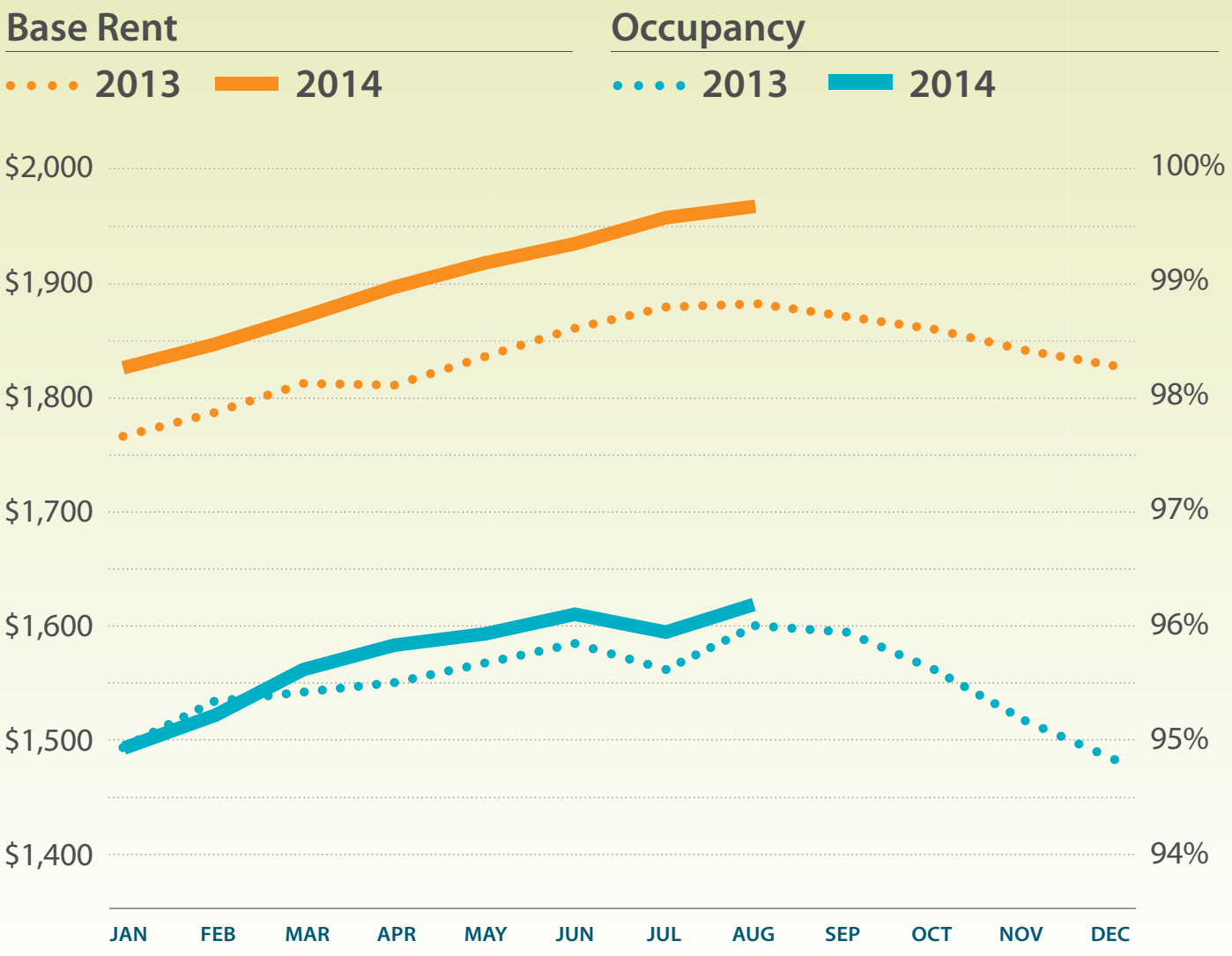
| | |
|---|---|
| Median household income (Our Residents) | $180,000 |
| Median household income (Market) | $64,538 |
| Median Home Price | $421,000 |
| Average Home Price (In EQR Zip Codes) | $949,000 |

# Why Multifamily?

## Why Equity Residential?

– Portfolio
**– Performance**
– Balance Sheet
– Superior Capital Allocation and Value Creation

# Continued Strength in Base Rent and Occupancy Trends



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# Strong Balance Sheet

- Access to multiple sources of capital
  - In 2014
    - Issued $1.2 billion in unsecured debt
- Highest ratings in the sector
  - Moody's: Baa1
  - S&P: BBB+
    - Placed on Positive Outlook in July

## Why Multifamily?

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**– Superior Capital Allocation and Value Creation**

# Superior Value Creation

## Total Stockholder Return

| | 5 Year CAGR | 10 Year CAGR |
|---|---|---|
| EQR | 23.4% | 12.0% |
| MSCI REIT Index | 18.9% | 9.1% |
| S&P 500 | 16.9% | 8.4% |

Through 8/31/14



# Safe Harbor Statement

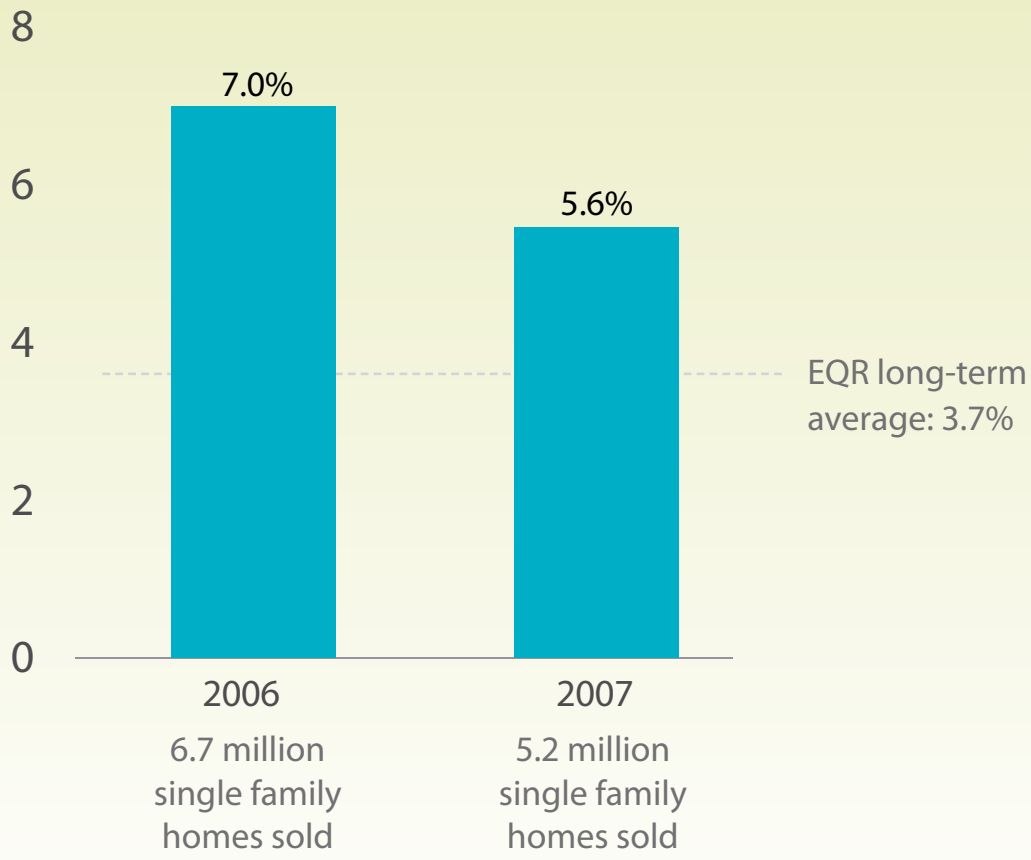
**Jia**– Los Angeles, CA

## Under the Private Securities Litigation Reform Act of 1995:

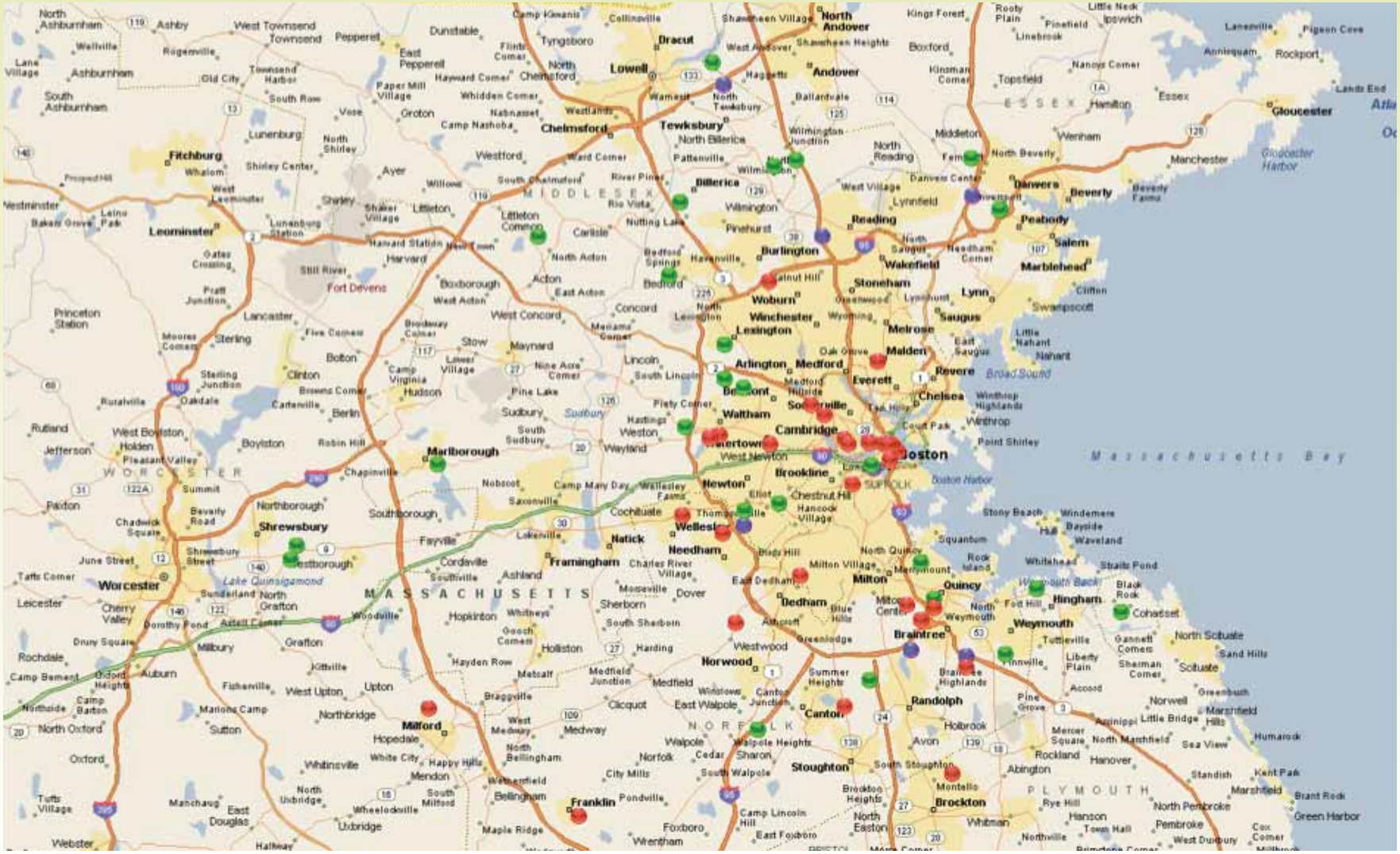
The forward-looking statements contained in this presentation are subject to certain economic risks and uncertainties described under the heading "Risk Factors" in the company's 2013 Annual Report on Form 10-K. The company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. All projections are based on 2014 budgets and proforma expectations on recent investments.

# The Demand for Homes and Apartments is Not Mutually Exclusive

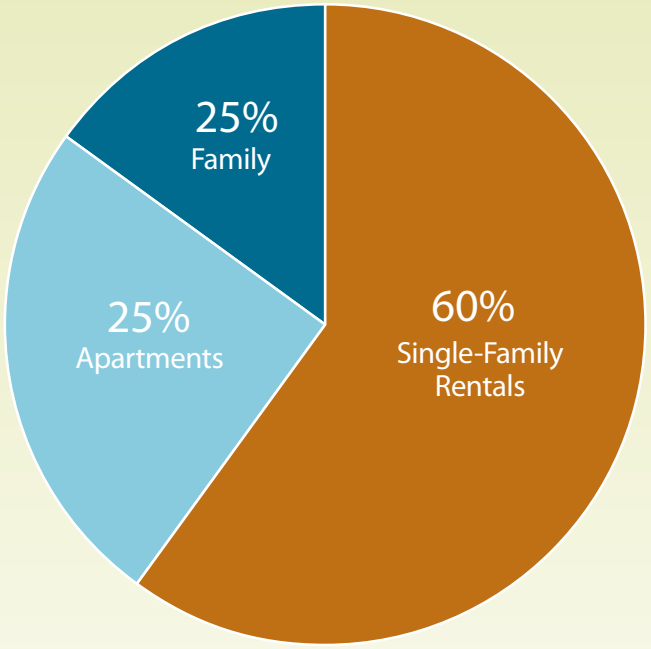
## EQR same-store NOI growth during 2005 to 2007 housing boom



# Boston


Boston
Cambridge
Somerville
Brookline
Newton
Waltham
Watertown
Arlington
Medford
Everett
Malden
Revere
Chelsea
Lexington
Winchester
Woburn
Burlington
Billerica
Lowell
Chelmsford
Tewksbury
Andover
North Andover
Dracut
Reading
Wakefield
Stoneham
Melrose
Saugus
Lynn
Peabody
Salem
Marblehead
Danvers
Beverly
Gloucester
Manchester
Wenham
Middleton
Framingham
Natick
Wellesley
Needham
Dedham
Milton
Quincy
Weymouth
Braintree
Hingham
Cohasset
Norwood
Canton
Randolph
Stoughton
Brockton
Franklin
Milford
Worcester
Shrewsbury
Marlborough
Southborough
Northborough
Westborough
Hopkinton
Holliston
Medway
Millbury
Grafton
Sutton
Northbridge
Uxbridge
Webster
Auburn
Leominster
Fitchburg
Lancaster
Clinton
Bolton
Harvard
Acton
Concord
Lincoln
Sudbury
Weston
Wayland
Natick
Framingham
Hudson
Maynard
Stow
Berlin
Boylston
West Boylston
Holden
Paxton
Rutland
Princeton
Westminster
Lunenburg
Ashburnham
Ashby
Townsend
Pepperell
Dunstable
Tyngsboro
Chelmsford
Westford
Littleton
Carlisle
Bedford
Burlington
Billerica
Wilmington
Reading
North Reading
Wakefield
Stoneham
Melrose
Saugus
Lynn
Swampscott
Marblehead
Salem
Peabody
Danvers
Beverly
Gloucester
Manchester
Wenham
Middleton
Topsfield
Boxford
North Andover
Andover
Lowell
Dracut
Tewksbury
Billerica
Burlington
Woburn
Winchester
Lexington
Arlington
Medford
Everett
Malden
Revere
Chelsea
Somerville
Cambridge
Boston
Brookline
Newton
Waltham
Watertown
Belmont
Weston
Wayland
Sudbury
Framingham
Natick
Wellesley
Needham
Dedham
Milton
Quincy
Weymouth
Braintree
Hingham
Cohasset
Norwood
Canton
Randolph
Stoughton
Brockton
Franklin
Milford
Worcester
Shrewsbury
Marlborough
Southborough
Northborough
Westborough
Hopkinton
Holliston
Medway
Millbury
Grafton
Sutton
Northbridge
Uxbridge
Webster
Auburn
Leominster
Fitchburg
Lancaster
Clinton
Bolton
Harvard
Acton
Concord
Lincoln
Sudbury
Weston
Wayland

# Much Like Buying a Home, Single Family Rentals Are a Lifestyle Choice




Where Foreclosed Households Went

- Single family home rentals are attractive to people who have lost homes to foreclosure and want to maintain the same lifestyle – schools, etc.



Source: Green Street Advisors and Federal Reserve.

# New York

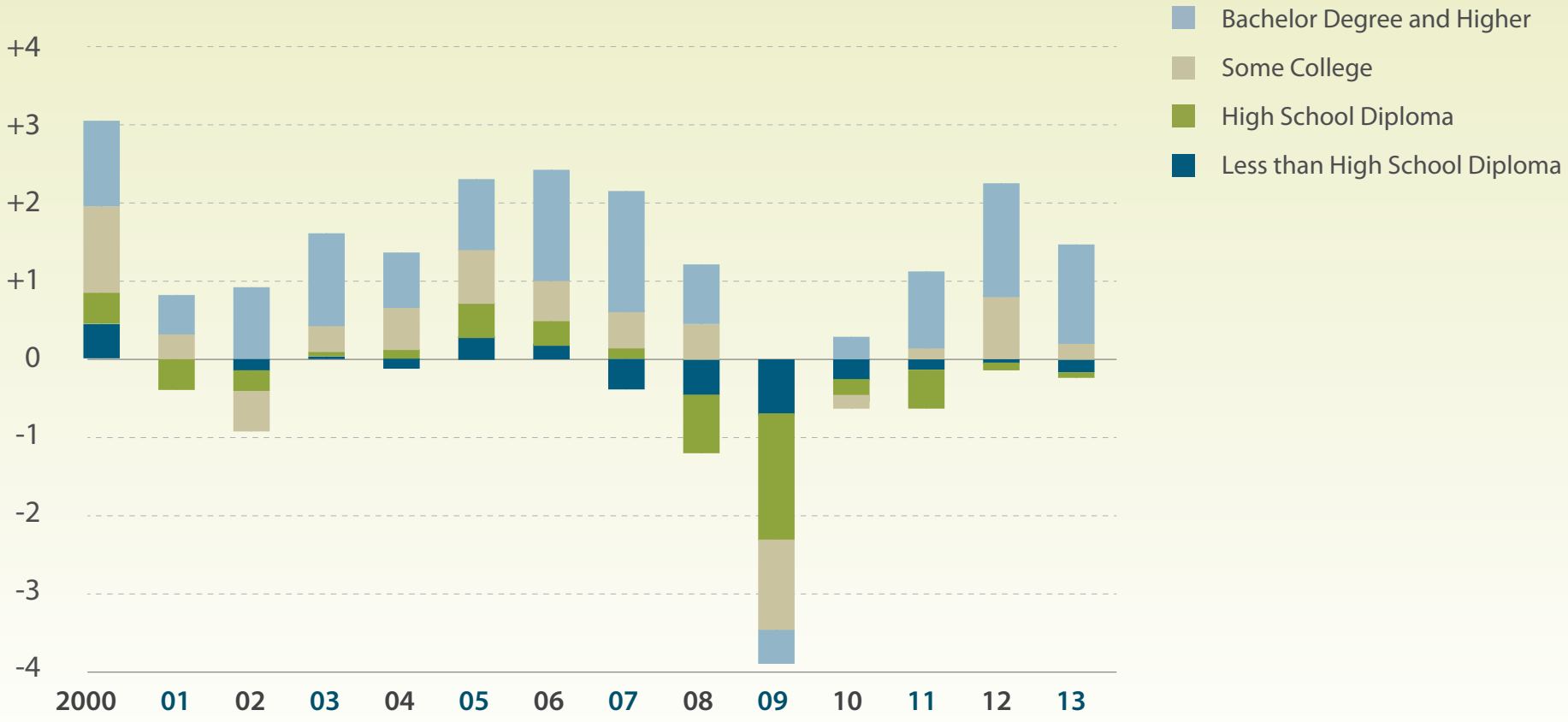



Equity Residential

● Equity Residential ● Camden ● Avalon Bay ● UDR

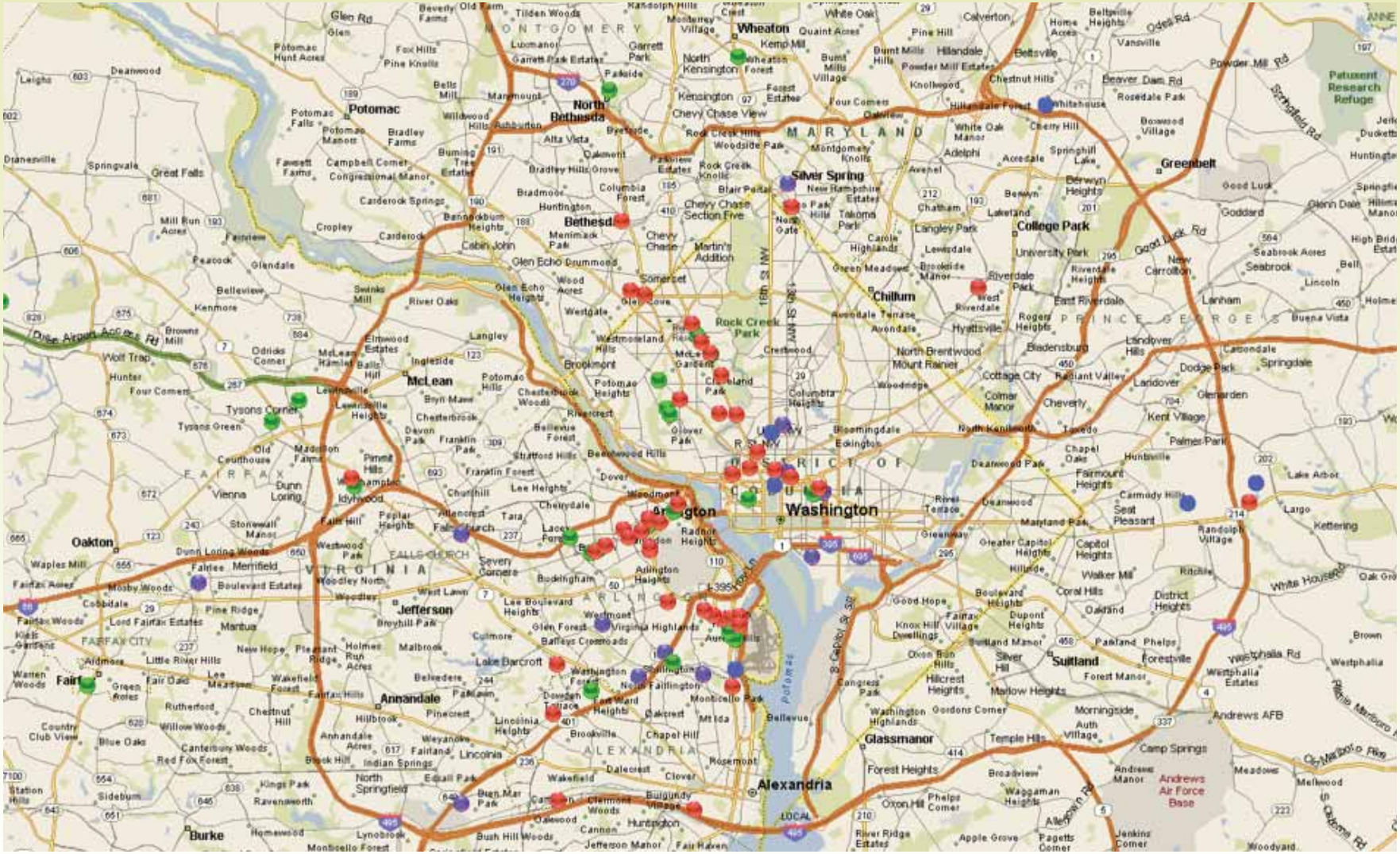
# Good Job Growth for Our Target Demographic

## Job Creation by Educational Attainment
(jobs in millions)




Source: Census, Rosen Consulting

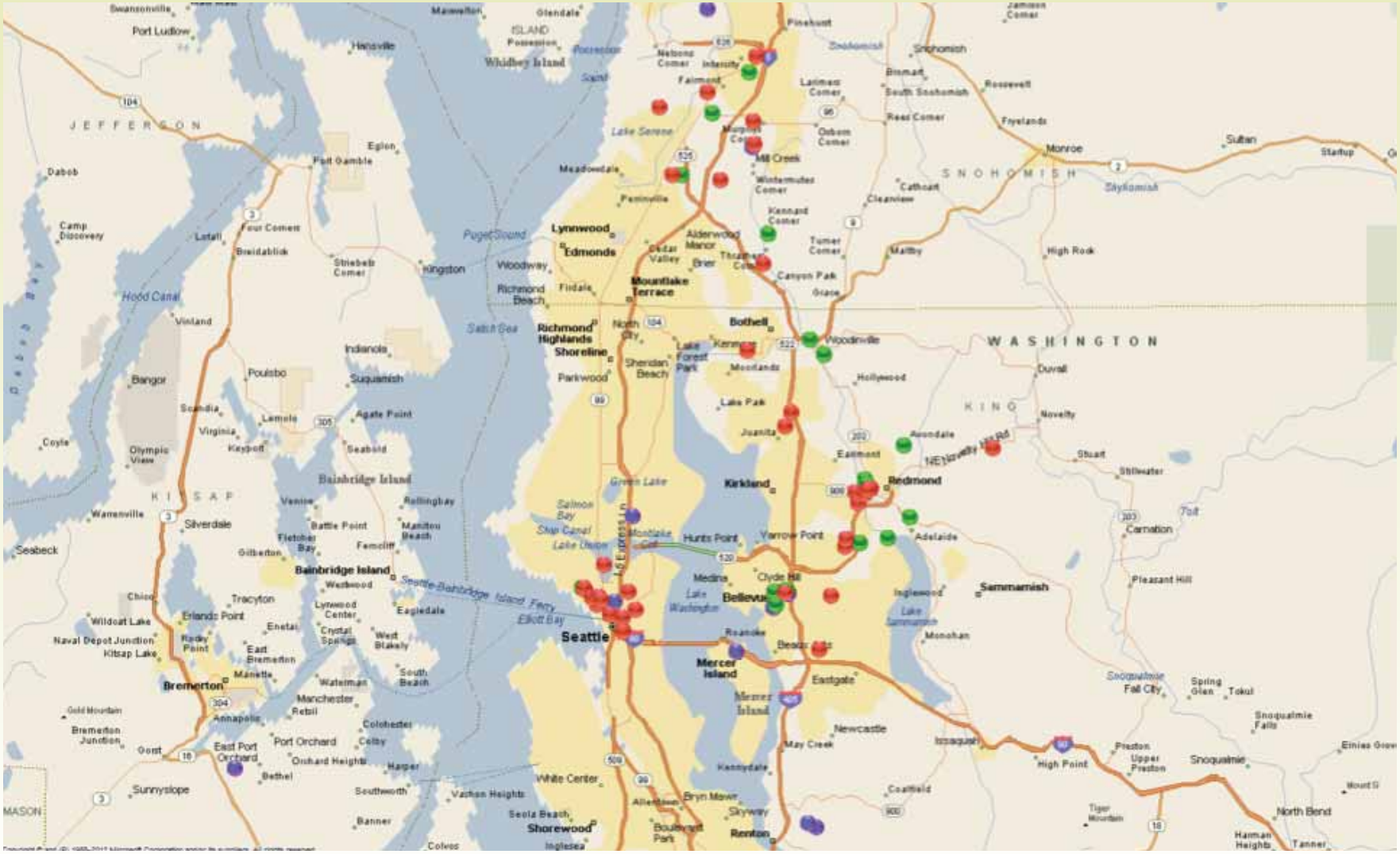
# Washington, DC Metro Area




Equity Residential

Equity Residential  Camden  Avalon Bay  UDR

# Seattle






● Equity Residential ● Camden ● Avalon Bay ● UDR

# San Francisco



# Los Angeles






Equity Residential · Camden · Avalon Bay · UDR

# Equity Residential: Growth in Income and Asset Value

- Occupancy at optimum: 95% – 96%
- Strong demand
- Very favorable demographics
- Limited new supply
- Declining homeownership
- Increasing rental rates
- $1.85 annual cash dividend*

- Portfolio concentrated in high-barrier, high-growth markets
- Opportunistic acquisitions and dispositions
- Focused development delivering strong risk-adjusted returns
- Targeted rehab program
- Maintain strong liquidity with access to multiple sources of financing
- Top credit ratings in the apartment sector

*based on current guidance

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- Best-in-class operating performance
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- Excellent growth in Asset Value
- Conservative balance sheet and superior liquidity through access to multiple sources of financing
- Excellent risk-adjusted total returns from growth in dividend income and stock price appreciation