Multifamily Getting Too Sentimental; Raising ESS to Buy

Summary

We are wrapping up 4Q15 multifamily earnings with this report, including several price target changes and one rating change -- ESS goes to Buy from Neutral (Exhibit 1 shows all the detail). We believe sentiment has overwhelmed multifamily stock performance, most notably in technology. Our call is that the reality of ESS's still very strong growth profile and solid organization will set in during 2016. We are also maintaining our Buy ratings on MAA and UDR, resulting in a 3-pronged approach to owning multifamily during 2016.

Company	Symbol	Price (2/05)	Rating Prior	Rating Curr	PT
Apartment Investment & Management Company	AIV	$37.01	–	Neutral	$36.00
AvalonBay Communities, Inc.	AVB	$166.27	–	Neutral	$180.00
Camden Property Trust	CPT	$73.93	–	Neutral	$77.00
Equity Residential	EQR	$73.59	–	Neutral	$68.00
Essex Property Trust, Inc.	ESS	$202.50	Neutral	Buy	$234.00
Mid-America Apartment Communities, Inc.	MAA	$85.56	–	Buy	$95.00
Post Properties, Inc.	PPS	$54.63	–	Neutral	$58.00
UDR, Inc.	UDR	$35.02	–	Buy	$39.00

Source: Bloomberg and Mizuho Securities USA

Key Points

- **Full Multifamily Update:** More than any other property type, we believe multifamily earnings is best analyzed after all the companies report, rather than a silo approach that doesn't capture the inter-relationships between companies. This earnings season was marked by significant downward volatility as investors attempt to distinguish between sentiment and reality on various issues including concerns surrounding a tech slowdown and the overall risk of another recession in the US. Our conclusion is that it is right to be concerned, and management do not appear to have their heads in the sand. On the other hand, base-case housing in the form of renting apartments is itself a necessity item that we view to have natural defensive qualities on its own. So as long as the REITs make appropriate adjustments, there is still reason to own a sector that is likely to produce some of the best organic growth in the US REIT industry this year.

- **Same Store the Driver:** As we wrote here in December 2015, same store growth tends to be an overwhelming determinant of stock performance for the multifamily sector, with bottom line earnings often a distant secondary consideration. We saw evidence of this during earnings season, with direction of internal growth mattering much more than absolute levels. This second derivative of growth is one consideration in our investment thought process, but unlike how the stock market behave sometimes, its not the only one.

- **Stock Calls:** We believe the nearly 16% year-to-date decline in ESS stock is overdone. Understanding that continued negative sentiment could delay the effectiveness of the call, we think the time is right to push back against these forces. And we do so with the benefit of a high quality organization in ESS, with a great track record and a portfolio that is expected to generate industry-leading internal growth during 2016. Separately, we reiterate our Buy rating on MAA and UDR, and consider them compelling stocks during highly uncertain times.

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Exhibit 1: Multifamily Price Targets, NAV Estimates and FFO/AFFO Estimate Changes

Company	Ticker	Stock Rating	2/5/2016 Price	Price Target (PT) Prev.	Price Target (PT) New	Stock Upside to PT	PT 2016 AFFO Multiple	Mizuho NAV Est.	Current Prem/Disc. to NAV	Mizuho 2016 FFO Estimates 2016 Prev.	Mizuho 2016 FFO Estimates 2016 New	Mizuho 2016 AFFO Estimates 2016 Prev.	Mizuho 2016 AFFO Estimates 2016 New
AIMCO	AIV	Neutral	$37.01	$37	$36	(2.7%)	18.4x	$41.93	(11.7%)	$2.33	$2.28	$2.00	$1.96
AvalonBay Comm.	AVB	Neutral	$166.27	$182	$180	8.3%	22.8x	$180.12	(7.7%)	$8.28	$8.38	$7.87	$7.88
Camden Property	CPT	Neutral	$73.93	$76	$77	4.2%	18.5x	$88.35	(16.3%)	$4.88	NC	$4.16	NC
Equity Residential (1)	EQR	Neutral	$73.59	$82	$68	(7.6%)	23.7x	$83.16	(11.5%)	$3.82	$3.14	$3.48	$2.87
Essex Property (2)	ESS	Buy	$202.50	$230	$234	15.6%	23.3x	$219.39	(7.7%)	$10.83	$10.94	$9.90	$10.06
Mid-America Apt.	MAA	Buy	$85.56	$95	NC	11.0%	18.7x	$88.58	(3.4%)	$6.02	$5.92	$5.14	$5.09
Post Properties	PPS	Neutral	$54.63	$58	NC	6.2%	21.4x	$61.24	(10.8%)	$3.15	$3.19	$2.72	$2.71
UDR, Inc.	UDR	Buy	$35.02	$41	$39	11.4%	23.8x	$36.98	(5.3%)	$1.82	$1.78	$1.67	$1.64

(1) FFO estimates are "normalized" in light of the company's signifcant asset sales and related debt prepayment charges. (2) Upgraded to Buy from Neutral.

Source: Company Reports and Mizuho Securities USA estimates. NC: No Change.

Price Target Methodology:
AIV: Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate (Low/high barrier mix + large forward acquisition overhang).
AVB: Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate (Class A/high barrier valuation).
CPT: Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate (Low/high barrier mix + Houston overhang).
EQR: Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate (Class A/high barrier valuation + well-timed asset sale strategy).
ESS: Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate (High barrier + high growth valuation).
MAA: Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate (Low barrier valuation).
PPS: Our price target is based on a 5% range around 21.5x our 2016 AFFO estimate (Hybrid between a low barrier and Class A valuation).
UDR: Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate (High barrier valuation).

Big Picture Takeaways for 4Q15

The Risks are Real, but So is the Growth

The underlying tone of earnings season for the multifamily REITs was a balance of caution related to external events, and optimism related to the continued solid performance of apartment fundamentals. Regarding the latter, it is true that supply is impacting some markets across the country, but demand, in general, remains more than adequate to counter the new competition. Same store NOI growth projections are running in the low- to high-single digits depending on the REIT, following a similar pattern from 2015. In this report, we focus on the risks and how we are interpreting them for 2016. The bottom line is we are upgrading tech-heavy ESS to Buy from Neutral, and reiterating our Buy ratings on MAA and UDR. We discuss all of the multifamily REITs in more detail at the end of this report.

Exploring the Possible Tech Slowdown

The risk of a possible moderation in the technology industry fueled many targeted sell-offs during the multifamily earnings season. We admit to contributing to this dialogue with our crossover report (together with our MSUSA technology analysts) called "Bubble Jeopardy 2.0" (published in January), which you can read here. However, we were clear in that report that our focus was on the private technology market – namely, the so-called Unicorns. ESS made the point during its call that the top 20 unicorns employ only 11k people in the Bay Area. This compares to the 165k people employed by the top 10 publicly-traded technology companies.

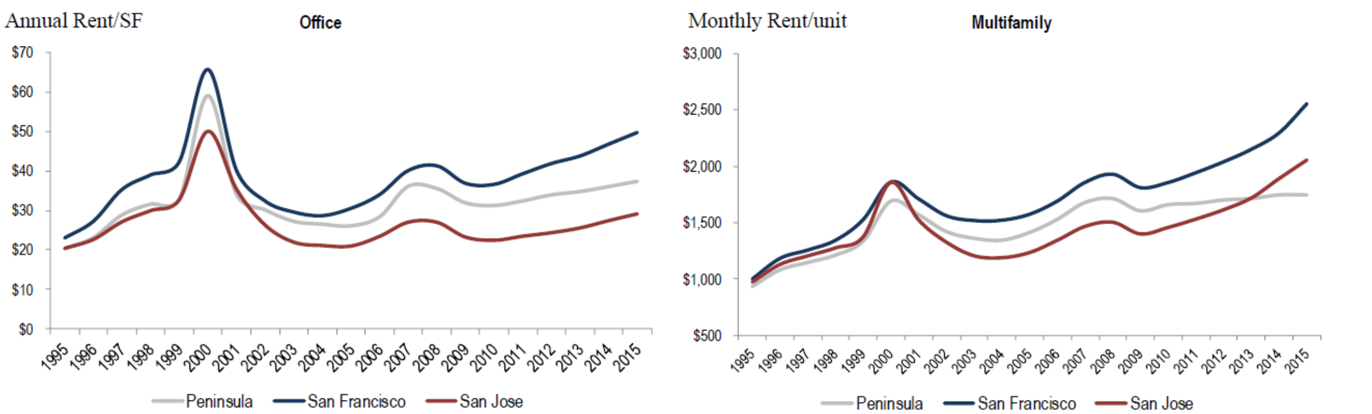
We continue to believe a tech slowdown, regardless of how it presents itself, is a risk that must not be reasoned away. Eventually technology will cycle down like every other industry, and this may already be at the early stages considering recent negative events at Yahoo, Twitter, Square, Snapchat, etc. It wasn't lost on us that ESS noticed a slowdown in 4Q15/January that it attributed to seasonality, while AVB and UDR said it somewhat more definitively:

- **AVB:** *"We expect some moderation in Seattle and Northern California, after exceptionally strong growth in 2015."*

- **UDR:** ***"****Although we saw weakness in the fourth quarter, it is indicative of the first quarter and fourth quarter seasonality that we have seen in this market in the past. With that said, we believe this weakness is possibly more than just seasonal. We do not expect this market to post the double-digit revenue growth it had in recent years. And we have forecasted the deceleration in 2016 to revenue growth of 8% or so."*

However, this is the important part: As we discussed in the Bubble report, the potential for a technology "soft landing" seems more probable this time versus 15+ years ago for a variety of factors including a) greater availability of information, and b) the fact that technology is meaningfully more engrained into virtually every aspect of society. From a real estate perspective, both office and multifamily rents have climb at a more natural pace over the past several years, versus the spike we saw circa 2000 (Exhibit 2). This observation is tempered a bit on the multifamily side, as the awkward housing conditions in the Bay Area have contributed to multifamily rents surpassing the prior peak (particularly in San Francisco). But it is still going to be strong there in 2016, possibly not quite as strong as the past.

Exhibit 2: Bay Area Rent Trends; Office and Multifamily



Source: Reis, Inc.

Elevated Concerns of a Recession

Meanwhile, broader fears that the US will enter into another recession were a part of the dialogue during conference calls. If not from technology, a recession could emerge from a combination of factors including future Fed actions, the strong US dollar, weak oil prices, and/or negative global forces (most notably, China). Here are excerpts from the latest comments from MSUSA Chief US Economist, Steve Ricchiuto, who (in our opinion) has been right as rain when it comes to the economy and the Fed:

- *"The unexpected behavior of the currency markets is a bigger story than the Fed. It should have been apparent even before the December hike that it was going to be a policy mistake as markets were already tightening for the Fed."*

- *"The counterintuitive currency market behavior suggests markets are beginning to recognize that monetary policy can't solve the deflation problem confronting the global economy."*

- *"The latest (US) payroll and household based data leave open the risk of a March rate hike, especially if markets calm down as they tend to do after a periods of volatility."*

- *"Although we believe that the December rate hike was a mistake, that doesn't mean policy makers will not make another one before they recognize the error of their ways."*

The result of all of these economic and global considerations could drive long-term interest rates down, which may make dividend-paying stocks like REITs appear incrementally more attractive. However, while that theme has played out in the Utilities sector this year, it has not for the REITs. The US REITs have produced a 5.3% total return decline so far in 2016, which has only modestly outperformed the broader market, while the multifamily REITs have collectively produced nearly a 10% total return decline. We think the environment is more complicated now, and multifamily management teams have to increasingly be on their toes – proactive over reactive, in the event things get worse before they get better.

Breaking from the Status Quo

While it may be tempting for management to rest on the laurels of still strong multifamily fundamentals, we will be looking for companies prepared to take action. There were some status quo-type comments from management during conference calls (e.g., "we are going to buy $xxx and sell $xxx, etc.") that seemed to indicate a normal operating environment – which it is not. We also sensed a common thread that management teams are doing what they can to protect the downside, and demonstrate an acute awareness of their surroundings including: a) EQR incrementally deleveraging following its huge sale of suburban properties; b) AVB showing a downward trend to its development pipeline; and c) the cautionary tone from AIV (par for the course for a company best known for its defensive mindset) that calls for a 50bps rent growth decline in 2017. Regarding the latter, the question is whether or not that will be enough. If things go bad, they may go more than 50bps bad. But the willingness of management to boldly raise a yellow flag was appropriate, in our view.

Other Observations from the Multifamily 4Q15 Earnings Season

Sentiment

At the risk of beating a dead horse, the issues surrounding a tech slowdown are certainly some combination of reality and sentiment as we have discussed above. At this point, we think it is mostly sentiment from a real estate perspective, as the multifamily business in the Bay Area remains sound. However, let us not forget that REITs benefited to the upside when the market was increasingly optimistic. So maybe the reversal of fortune in stock performance is simply a reversion to the mean, and hence, more "fair game" than it appears.

Balance Sheets

The REITs tend to operate strong and improving balance sheets, with debt/EBITDA levels averaging under 6x for both the multifamily sector and the REIT industry overall. That is a positive consideration, but we think the focus on balance sheet strength could take on even greater meaning if the confluence of risk drives the US economy closer to a recession. The question was posed to EQR during its call if even lower leverage in necessary in the current environment. EQR did incrementally de-lever with the completed and planned sale of its suburban assets, but is otherwise very comfortable with its current balance sheet. Meanwhile, as EBITDA grows, the multifamily REITs will likely see an organic improvement to leverage metrics. But thinking back to 2008, the question is if modest improvements, to the extent they materialize, will be enough. We expect a debate on the appropriate level of leverage to become a part of the ongoing dialogue over the course of 2016.

Same Store the Focal Point

In one case after another, we noticed multifamily stocks traded up when same store growth guidance was equal or greater than 2015, and traded down if REITs guided to a deceleration of growth. While we acknowledge direction is an important consideration, we find the exclusive use of same store growth (while ignoring the entirety of the story) a superficial response that may ignore more substantive considerations.

For example, MAA produced same store NOI growth of 7.2% during 2015, which was driven by a large occupancy lift and other fees related to bundling of services. For 2016, MAA is targeting 4.5% same store NOI growth, and the stock traded down over 6% at points during the day (despite FFO guidance being right in line with consensus). Full disclosure, MAA stock produced a 25% total return during 2015, which was the best of the sector and a reflection of the unsustainable NOI growth. So maybe the pull-back was due – an appropriate reversion to the mean. However looking ahead, there are other considerations outside of the same store factor that helped us maintain our constructive view on the company, including MAA's propensity to perform relatively well when the US economy is in a decline.

In all cases, we attempt to look beyond the obvious in making our stock selections, and we provide more stock-specific commentary at the end of this report.

Low Oil/Gas Prices

Finally, declining oil prices represents a major drag on the US economy, and is one important factor that stands in the way of the Fed's 2% target inflation rate. However, the US consumer now has more money in his/her pocket, and some of that can go toward paying a higher rent. We think this positive offset will be more apparent in suburban markets where people drive to/from work, rather than urban settings that are more a function of mass transit and walking. So maybe CPT and UDR benefit before AVB and EQR, but we don't view this as a material distinguishing factor at the present time.

Raising ESS to Buy

After considering all of these inputs, and then layering on valuation considerations, we are raising ESS to Buy from Neutral, and maintaining our Buy ratings on MAA and UDR. All of the details to our changes are provided in Exhibit 1. As for the technology issue, the bottom line is there are arguments on both sides of the debate on whether tech will crater or gradually decline. But a change is inevitable one way or another, and the question is if markets have over- or under-corrected. We will address this question on a stock-by-stock basis, and conclude in the case of ESS that there is more upside opportunity than downside risk from this point forward. Here is our thought process:

- **Same Store:** ESS's 2016 outlook calls for same store NOI growth of 7.5%-9.5%, with the 8.5% midpoint comparing to the 10.7% it achieved during 2015. The stock was down 4% on Friday (the first day after ESS reported). We doubt any rational investor was expecting ESS to show acceleration during 2016. So the market reaction seems disjointed, in our view, since nothing else changed related to a possible tech slowdown. We think smart investors will ultimately take advantage of dumb reactions.

- **History:** Last year at this time, ESS guided to 8.5% same store NOI growth (equal to this year) and ended up producing actual growth that was 220bps stronger. We aren't expecting an outperformance this year to that order of magnitude, but barring an unforeseen negative secular or global event, we think it is more likely ESS produces growth acceleration as the year progresses.

- **Geography:** About 46% of the ESS portfolio is located in the much more diversified Southern California region. So while the company is the poster-REIT for technology exposure in the multifamily sector (36% Bay Area, 18% Seattle), there is a counter-balance here that we don't think is getting proper attention.

- **Management:** A statement from ESS during its conference call caught our attention: *"We would ask people to trust us, to make wise decisions with respect to how we conduct ourselves in the investment markets."* We think that sums up the quality of management discussion quite nicely, because the company has historically conducted itself extremely well. We don't know if ESS has a rabbit in its hat that will swiftly address the risks the market is attributing to it, but we are inclined to give it the benefit of the doubt as the situation continues to develop.

- **Valuation:** Our price target for ESS of $234 (up from $230) assumes a similar 2016 AFFO multiple to its high-barrier peers, and a slight premium to our $219.39/share NAV estimate (which is below the Street consensus NAV of $226/share). We estimate a current implied cap rate of 5.1%, which we think compares favorably to the 4-handle cap rates ESS can still achieve on dispositions (our new price target equates to a 4.5% implied cap rate). The upside to our target from current trading levels suggests 15.6% price appreciation, and hence our rating increase to Buy.

Understanding that continued negative sentiment toward tech could delay the effectiveness of our ESS upgrade, we think the time is right to push back against these sentiment forces. And we do so with the benefit of a high quality organization, with a great track record and a portfolio that is expected to generate industry-leading internal growth during 2016. ESS is down almost 16% year to date, by far the most of the sector, and compares to a negative 6% year-to-date total return for the REIT industry.

Maintaining Buy Ratings for MAA and UDR

MAA Following our Framework

Given the deceleration of same store growth the company is guiding to for 2016, some observers may think it is time to take some money off the table here. MAA produced a sector-leading total return of 25% during 2015. As we mentioned earlier, we actually think the decline in the stock price following its 4Q15 was a reasonable reaction – giving back some of the 2015 upside which may have been tied to unsustainable (and occupancy-driven) same store growth. But now, with a more rational same store profile contemplated in the stock, the question becomes if continued outperformance is probable. In order to answer that question, we first provide a comment we made following our meetings at the NAREIT convention in June 2015:

> *"An interesting dialogue evolved during our meeting that centered on the disconnect between asset value and platform value for MAA. Regarding asset value, we use an NOI cap rate of 6.0% in calculating our NAV estimate, and market transactions lead us to believe we are more right than wrong. MAA stock trades at a 4% to 5% NAV discount, which is in the range of its peers. But the dilemma is that, on a 2015 AFFO multiple basis, MAA trades at a 27% discount to its peers. That suggests to us that the market attributes excessively lower value to MAA's cash flow stream relative to its peers, despite the fact that the company is producing comparable internal growth and has averaged 8% AFFO growth over the*

> *past five years (equal to EQR). While we believe some amount of an AFFO discount is warranted given the risk of supply and choppier job growth characteristics of MAA's secondary markets in the South, we believe a middle ground should be the ultimate landing point for valuation. That is, we think a reasonable "compromise" is a premium NAV valuation (representing platform value) for producing in-line growth in markets most others attempt to avoid, , and a discounted cash flow valuation for the risks mentioned above."*

Fast forward to today, this thesis has worked out quite well, and we expect it to continue. MAA now trades below NAV, but the smallest discount (3.4%) of its peers. The multifamily average discount is 10%. Meanwhile, MAA currently trades at a 23% discount based on 2016 AFFO. Our unchanged $95 price target assumes a 7% NAV premium and still a 15% AFFO discount. We think that is reasonable compromise for MAA, and hence we reiterate our Buy rating.

UDR Remains a Strong Risk-Adjusted Platform

As for UDR, we continue to view the company's balanced approach between Class A/B, and urban/suburban – mostly in high barrier markets – to be a very attractive balance of risk and return. Same store NOI growth guidance for 2016 of 6.75% is slightly above the 6.7% it produced during 2015 – a rare case of acceleration (albeit minor) following a strong year. We think the company's ability to produce that type of growth profile, without having the concentration risks associated with specific markets and price-points, makes UDR a particularly attractive story for 2016. Please note we wrote a comprehensive report on UDR here following our non-deal roadshow with management in Tokyo late last year.

A Three-Pronged Approach to Multifamily

We believe the combination of ESS, MAA and UDR will represent an effective way to own the multifamily sector, on the view that each are vastly different and will cycle out of synch with one another:

- ESS, the targeted high-growth, high-value West Coast play.

- MAA, the value call in low-barrier markets that tends to perform relatively well during down years in the economy (e.g., MAA produced an 8% total return decline in 2008, which compared to a 23% decline for the sector and a 37% decline for the REIT industry).

- UDR, a hybrid story that captures the growth of urban/coastal markets, while diversified via price-point and proximity to the CBD.

Quick Comments on the Other Five

- **AIV:** Management took the most cautious stance on the economy and global events, but that still contradicts with the decision to buy a large lease-up property ($320mm) in Redwood City.

- **AVB:** Like UDR, AVB is expected to produce 2016 same store growth in line with last year. However, a large development pipeline (10% of total assets) in the current environment requires too much of a risk premium, in our view.
- **CPT:** Produced a better than expected 4Q15 (the first out of the gate), with all markets outside of Houston and DC expected to grow same store revenue by 5% or more. However, we think the stock is appropriately valued for now considering the Houston risk.
- **EQR:** We downgraded EQR to Neutral from Buy last week on the view that the company is making an urban bet, at a time when global events could disproportionately be felt in gateway markets. We will wait out the transition, but income investors should be aware that the first special dividend ($8/share) is coming in 2Q16.
- **PPS:** A fairly uneventful 4Q15 result and outlook, although Atlanta (its top market) should be one of the best multifamily markets this year. In addition, an excellent balance sheet may help position PPS well if a recession turns from risk to reality.

Below we provide our updated models for each of the eight multifamily REITs we cover (Exhibits 3 – 10). The live version of each is available upon request.

Exhibit 3: Updated AIV Earnings Model

Income Statement

(In thousands, except per share figures)	1QA	2015 2QA	3QA	4QA	Full Year 2015A	% Chg	1QE	2016 2QE	3QE	4QE	Full Year 2016E	% Chg
RENTAL AND OTHER PROPERTY REVENUES												
Conventional Same Store Properties	$172,355	$170,251	$165,172	$163,866	$671,644		$165,045	$168,478	$170,543	$171,938	$676,004	
Conventional Redevelopment Properties	15,463	16,508	18,379	18,836	69,186		17,213	19,229	19,806	20,400	76,648	
Other Conventional Properties	16,034	17,145	23,801	23,751	80,731		22,921	24,136	24,433	24,730	96,220	
Affordable Properties	25,388	25,302	25,535	24,810	101,035		24,314	23,828	23,351	22,884	94,376	
TOTAL RENTAL AND OTHER PROPERTY REVENUES	$229,240	$229,206	$232,887	$231,263	$922,596		$229,493	$235,670	$238,133	$239,953	$943,248	
PROPERTY OPERATING EXPENSES												
Conventional Same Store Properties	($57,191)	($52,992)	($52,643)	($49,612)	($212,438)		($50,005)	($50,370)	($50,731)	($51,073)	($202,179)	
Conventional Redevelopment Properties	(6,016)	(5,670)	(6,580)	(6,677)	(24,943)		(6,944)	(7,222)	(7,511)	(7,811)	(29,488)	
Other Conventional Properties	(7,694)	(8,211)	(10,408)	(10,208)	(36,521)		(10,208)	(10,208)	(10,208)	(10,208)	(40,832)	
Affordable Properties	(10,871)	(9,514)	(10,144)	(10,074)	(40,603)		(10,275)	(10,481)	(10,691)	(10,904)	(42,352)	
Casualties	(4,029)	(1,543)	(847)	(1,862)	(8,281)		(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	
Property Management Expense (owned properties)	(6,008)	(6,106)	(5,810)	(6,790)	(24,714)		(6,000)	(6,042)	(6,082)	(6,129)	(24,253)	
TOTAL PROPERTY OPERATING EXPENSES	($91,809)	($84,036)	($86,432)	($85,223)	($347,500)		($85,433)	($86,322)	($87,223)	($88,125)	($347,102)	
NOI from Investment Activity					0		(234)	(1,156)	1,305	734	648	
PROPERTY NET OPERATING INCOME	**$137,431**	**$145,170**	**$146,455**	**$146,040**	**$575,096**	**4%**	**$143,826**	**$148,192**	**$152,215**	**$152,562**	**$596,794**	**4%**
THIRD PARTY PROPERTY MANAGEMENT												
Property Management Revenue, affiliates	$90	$88	$96	$87	$361		$50	$48	$45	$43	$185	
Property Management Expense					0		(30)	(29)	(27)	(26)	(111)	
TOTAL THIRD PARTY PROPERTY MGMT	$90	$88	$96	$87	$361		$20	$19	$18	$17	$74	
INVESTMENT MGMT INCOME												
Deferred Tax Credit Income	5,939	6,112	5,939	6,119	24,109		5,507	4,956	4,461	4,015	18,939	
Asset Management Revenues					0		500	505	510	515	2,030	
Investment Mgmt Expenses (incl. taxes)	(1,603)	(1,086)	(1,905)	(1,261)	(5,855)		(1,502)	(1,365)	(1,243)	(1,132)	(5,242)	
Transaction Income, net	310	234	66	134	744		0	0	0	0	0	
TOTAL ASSET MGMT/TRANSACTIONS, net	$4,646	$5,260	$4,100	$4,992	$18,998		$4,505	$4,096	$3,728	$3,397	$15,727	
INTEREST INCOME AND OTHER												
Other Income/(Expenses)	864	(776)	(3,565)	(1,458)	(4,935)		(250)	(250)	(250)	(250)	(1,000)	
Interest Income	1,740	1,713	1,751	1,793	6,997		1,500	1,500	1,500	1,500	6,000	
TOTAL INTEREST INCOME AND OTHER	$2,604	$937	($1,814)	$335	$2,062		$1,250	$1,250	$1,250	$1,250	$5,000	
General & Administrative Expenses	**(10,652)**	**(12,062)**	**(11,013)**	**(9,451)**	**(43,178)**		**(10,500)**	**(10,526)**	**(10,553)**	**(10,579)**	**(42,158)**	
EBITDA	**$134,119**	**$139,393**	**$137,824**	**$142,003**	**$553,339**	**5%**	**$139,101**	**$143,030**	**$146,658**	**$146,648**	**$575,437**	**4%**
Interest Expense	(51,413)	(47,786)	(46,751)	(46,670)	(192,620)		(46,570)	(45,395)	(51,283)	(48,858)	(192,105)	
Preferred Dividends	(5,258)	(4,494)	(4,493)	(4,492)	(18,737)		(4,492)	(4,492)	(4,492)	(4,492)	(17,968)	
Cumulative Effect of Change in Accounting Principle					0		0	0	0	0	0	
Debt Prepayment Penalty					0						0	
Preferred Redemption Charge/Gain					0						0	
Income Tax Benefit (expense)	7,940	6,819	8,214	6,576	29,549		4,750	4,750	4,750	4,750	19,000	
Discontinued Operations (net)	815	616	716	978	3,125		978	978	978	978	3,912	
Noncontrolling Interests (share of adjustments)	(4,411)	(4,862)	(4,738)	(4,873)	(18,884)		(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	
Depreciation and Amortizations	(2,486)	(2,604)	(2,586)	(2,579)	(10,255)		(2,500)	(2,500)	(2,500)	(2,500)	(10,000)	
Expensed Acquisition Costs					0		0	0	(3,200)	0	(3,200)	
Non-Cash Impairments					0						0	
FFO (NAREIT Definition)	**$79,306**	**$87,082**	**$88,186**	**$90,943**	**$345,517**	**14%**	**$86,297**	**$91,400**	**$85,939**	**$91,552**	**$355,188**	**3%**
Normalizing Factors												
Expensed Acquisition Costs	0	0	0		0		0	0	3,200	0	3,200	
Preferred Redemption Charge	658	0	0		0		0	0	0	0	0	
Normalized FFO	**$79,964**	**$87,082**	**$88,186**	**$90,943**	**$345,517**		**$86,297**	**$91,400**	**$89,139**	**$91,552**	**$358,388**	
Real Estate Depreciation	(70,133)	(70,387)	(72,921)	(75,170)	(288,611)		(75,170)	(74,576)	(77,436)	(76,217)	(303,399)	
Real Estate Impairments		(655)			(655)						0	
Discontinued Operations Excl. Asset Sales					0						0	
Noncontrolling Interests	(557)	1,460	3,823	1,295	6,021		5,000	5,000	5,000	5,000	20,000	
Net Income before gain on sales	**$8,616**	**$17,500**	**$19,088**	**$17,068**	**$62,272**	79%	**$16,127**	**$21,824**	**$13,503**	**$20,335**	**$71,789**	15%
Gain on asset sales	80,728	43,304	91	49,571	173,694		5,000	10,000	12,500	20,000	47,500	
Net Income after gain on sales	**$89,344**	**$60,804**	**$19,179**	**$66,639**	**$235,966**	-21%	**$21,127**	**$31,824**	**$26,003**	**$40,335**	**$119,289**	-49%
Capital Expenditures	(12,834)	(12,528)	(12,529)	(12,287)	(50,177)		(12,287)	(12,287)	(12,287)	(12,287)	(49,149)	
Preferred Redemption Charge	0	0	0	0	0		0	0	0	0	0	
Non-Cash Items					0						0	
ADJUSTED FUNDS FROM OPERATION	**$66,472**	**$74,555**	**$75,658**	**$78,656**	**$295,340**	**20%**	**$74,010**	**$79,113**	**$73,652**	**$79,265**	**$306,039**	**4%**
Share Outstanding (EPS)	154,277	155,954	156,008	156,043	155,571		156,043	156,043	156,043	156,043	156,043	
Shares and Units Outstanding (FFO Diluted)	154,277	155,954	156,008	156,043	155,571		156,043	156,043	156,043	156,043	156,043	
PER SHARE AMOUNTS												
FFO (NAREIT Definition)	**$0.51**	**$0.56**	**$0.57**	**$0.58**	**$2.22**	**7.4%**	**$0.55**	**$0.59**	**$0.55**	**$0.59**	**$2.28**	**2.5%**
Normalized FFO	**$0.52**	**$0.56**	**$0.57**	**$0.58**	**$2.22**	**7.4%**	**$0.55**	**$0.59**	**$0.57**	**$0.59**	**$2.30**	**3.4%**
Capital Expenditures	($0.08)	($0.08)	($0.08)	($0.08)	($0.32)		($0.08)	($0.08)	($0.08)	($0.08)	($0.31)	
Non-Cash Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Adjusted Funds From Operations	**$0.43**	**$0.48**	**$0.48**	**$0.50**	**$1.90**	**12.3%**	**$0.47**	**$0.51**	**$0.47**	**$0.51**	**$1.96**	**3.3%**
Net Income - EPS (after gain on sale)	**$0.58**	**$0.39**	**$0.12**	**$0.43**	**$1.52**	-26%	**$0.14**	**$0.20**	**$0.17**	**$0.26**	**$0.76**	-50%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 4: Updated AVB Earnings Model

Income Statement

(In thousands, except per share figures)	2015 1QA	2QA	3QA	4QA	Full Year 2015A	% chg	2016 1QE	2QE	3QE	4QE	Full Year 2016E	% chg
Operating Items												
Property Rental Revenue	$439,756	$454,517	$473,199	$478,607	$1,846,079		$481,073	$487,899	$493,554	$497,879	$1,960,405	
Operating Expenses	(140,912)	(139,127)	(149,209)	(141,582)	(570,830)		(142,639)	(143,682)	(144,801)	(145,863)	(576,986)	
Accounting Adjustment (MSUSA estimate)					0		0	0	0	0	0	
Property Management and Other Expenses	($17,893)	($17,782)	($15,695)	($15,563)	(66,933)		($15,902)	($15,991)	($16,070)	($16,148)	(64,111)	
NOI from Investment Activity					0		5,827	7,716	7,650	11,545	32,739	
Net Operating Income	**$280,951**	**$297,608**	**$308,295**	**$321,462**	**$1,208,316**	11%	**$328,359**	**$335,942**	**$340,333**	**$347,413**	**$1,352,047**	12%
Nonoperating Items												
Interest Income					0		0	0	0	0	0	
Management Income and Other Fees	2,611	2,942	2,161	2,233	9,947		2,244	2,255	2,267	2,278	9,044	
Investment Management Expenses	(1,034)	(1,073)	(1,167)	(1,096)	(4,370)		(1,101)	(1,107)	(1,113)	(1,118)	(4,439)	
Expensed Development/Pursuit Costs					0		0	0	0	0	0	
Other income (expense)					0		0	0	0	0	0	
G&A Expense	(10,598)	(10,335)	(10,464)	(11,428)	(42,825)		(12,485)	(12,548)	(12,610)	(12,673)	(50,316)	
EBITDA	**$271,930**	**$289,142**	**$298,825**	**$311,171**	**$1,171,068**	11%	**$317,017**	**$324,542**	**$328,877**	**$335,899**	**$1,306,336**	12%
Interest Expense	(45,573)	(44,590)	(43,234)	(42,217)	(175,614)		(46,437)	(47,776)	(48,148)	(53,710)	(196,071)	
Preferred Dividends	0	0	0	0	0		0	0	0	0	0	
Preferred Redemption Charge					0						0	
Joint Venture Total Income	34,566	13,806	20,554	1,093	70,019		1,000	1,000	1,000	1,000	4,000	
Less: Joint Venture Asst Sale Gains	*(9,155)*	*(1,718)*	*(20,074)*		*(30,947)*						*0*	
Other Minority Interest	100	80	75	85	340		100	100	100	100	400	
Land Sale Gains, net	22	9,625			9,647						0	
Gain on Sale of Communities	0		0	(2,633)	(2,633)						0	
Depreciation and Amortizations	1,467	1,229	834	4,565	8,095		2,000	2,000	2,000	2,000	8,000	
Income Tax		(1,293)	(39)	(215)	(1,547)						0	
Disc. Ops					0		0	0	0	0	0	
Edgewater Fire	(3,240)	17,114	(658)	(125)	13,091		29,008				29,008	
Gain on Extinguishment of debt, net		7,749	18,987		26,736						0	
Other Non-recurring Adjustments	1,647				1,647						0	
Expensed Acquisition Costs	(1,187)	(673)	(3,391)	(1,570)	(6,821)		(649)	0	0	0	(649)	
Non-cash Real Estate Impairments					0						0	
FFO - NAREIT Definition	**$250,577**	**$290,471**	**$271,879**	**$270,154**	**$1,083,081**	14%	**$302,039**	**$279,867**	**$283,829**	**$285,290**	**$1,151,024**	6%
Normalizing Factors (AVB defined)												
Expensed Acquisition Costs	878	62	2,514	352	3,806		649	0	0	0	649	
Joint Venture Adjustments	(2,002)	(9,571)	1,611	(388)	(10,350)		1,719	1,719	1,719	1,719	6,875	
Joint Venture Promote	(20,680)				(20,680)						0	
Loss on Interest Rate Swaps					0						0	
Debt Mark-to-Market					0						0	
Development-related Write-offs				766	766		344	344	344	344	1,374	
Compensation Adjustments					0						0	
Business Interruption			(357)		(357)		1,750	1,750	1,750	1,750	7,000	
Debt Extinguishment		(7,749)	(18,987)		(26,736)						0	
Land Sale Gains, net		(9,625)			(9,625)						0	
Income Taxes		997		106	1,103						0	
Edgewater Fire	3,240	(15,427)	2,396		(9,791)		(29,008)				(29,008)	
Chrystie Place Promote					0						0	
Non-cash Impairments				(873)	(873)						0	
Other Non-recurring Adjustments	1,637	303	729	3,005	5,674						0	
Normalized FFO	**$233,650**	**$249,461**	**$259,785**	**$273,122**	**$1,016,018**	25%	**$277,492**	**$283,679**	**$287,641**	**$289,102**	**$1,137,914**	12%
Depreciation	(118,320)	(119,856)	(121,018)	(126,824)	(486,018)		(127,277)	(131,038)	(131,986)	(135,793)	(526,093)	
JV Depreciation					0		0	0	0	0	0	
Minority Interest	(9)	(9)	(9)	(9)	(392)		(9)	(9)	(9)	(9)	(392)	
Net Income **(Before Gains/Extra Items)**	**$132,248**	**$170,606**	**$150,852**	**$143,321**	**$596,671**		**$174,754**	**$148,820**	**$151,834**	**$149,488**	**$624,539**	
Asset sales gains	80,091		35,216	12,107	127,414		0	40,000	40,000	0	80,000	
Amort. Of non-recurring charges					0						0	
Non-recurring charges	(4,195)	1,718	20,074		17,597						0	
Net Income	**$208,144**	**$172,324**	**$206,142**	**$155,428**	**$741,682**		**$174,754**	**$188,820**	**$191,834**	**$149,488**	**$704,539**	
Capitalized expenditures	(16,304)	(16,304)	(16,304)	(16,304)	(65,218)		(16,304)	(16,304)	(16,304)	(16,304)	(65,218)	
Add-back non-cash items					0		1,000	2,000	3,000	4,000	10,000	
Adjusted Funds from Operations	**$217,346**	**$233,157**	**$243,481**	**$256,818**	**$950,800**	28%	**$262,187**	**$269,374**	**$274,336**	**$276,798**	**$1,082,696**	14%
Shares Outstanding (EPS)	133,176	133,086	134,709	137,350	134,580		137,350	137,350	137,350	137,350	137,350	
Shares and Units Outstanding (FFO)	133,176	133,086	134,709	137,350	134,580		137,350	137,350	137,350	137,350	137,350	
Per Share Amounts												
FFO - NAREIT Definition	**$1.88**	**$2.18**	**$2.02**	**$1.97**	**$8.05**	11%	**$2.20**	**$2.04**	**$2.07**	**$2.08**	**$8.38**	4%
Normalized FFO	**$1.75**	**$1.87**	**$1.93**	**$1.99**	**$7.55**	22%	**$2.02**	**$2.07**	**$2.09**	**$2.10**	**$8.28**	10%
Add-back non-cash items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.01	$0.01	$0.02	$0.03	$0.07	
Capitalized expenditures	($0.12)	($0.12)	($0.12)	($0.12)	($0.48)	-3%	($0.12)	($0.12)	($0.12)	($0.12)	($0.47)	-2%
Adjusted Funds from Operations	**$1.63**	**$1.75**	**$1.81**	**$1.87**	**$7.06**	24%	**$1.91**	**$1.96**	**$2.00**	**$2.02**	**$7.88**	12%
Net Income - EPS (after gain on sale)	**$1.56**	**$1.29**	**$1.53**	**$1.13**	**$5.51**	6%	**$1.27**	**$1.37**	**$1.40**	**$1.09**	**$5.13**	-7%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 5: Updated CPT Earnings Model

Income Statement

(In thousands, except per share figures)	2015 1QA	2QA	3QA	4QA	Full Year 2015E	% Chg	2016 1QE	2QE	3QE	4QE	Full Year 2016E	% Chg
Operating Income and Expenses												
Rental Revenue	$186,857	$190,089	$194,515	$197,647	$769,108		$196,850	$201,091	$203,385	$205,715	$807,041	
Operating Expenses	(52,998)	(53,472)	(58,062)	(55,299)	(219,831)		(55,928)	(56,563)	(57,253)	(57,909)	(227,654)	
Real Estate Taxes	(25,413)	(25,317)	(26,044)	(25,111)	(101,885)		(25,413)	(25,713)	(26,023)	(26,321)	(103,470)	
NOI from Investment Activity					0		1,575	1,702	1,960	2,995	8,232	
Net Operating Income	$108,446	$111,300	$110,409	$117,237	$447,392	4.9%	$117,084	$120,516	$122,069	$124,480	$484,149	8.2%
Other Property/Non-property Income												
Other Property Revenues	28,577	30,562	32,670	32,011	123,820		32,091	32,171	32,252	32,332	128,846	
Fee and Asset Management Income	1,563	1,618	1,902	1,916	6,999		1,930	1,945	1,959	1,974	7,809	
Sale of Tech Investment					0		0	0	0	0	0	
Interest & Other Income	60	141	107	289	597		289	289	289	289	1,156	
Income on Deferred Comp Plans	1,864	(297)	(3,438)	1,607	(264)		1,607	1,607	1,607	1,607	6,428	
Equity in Income of JVs (FFO)	3,627	3,768	3,874	4,045	15,314		4,000	4,000	4,000	4,000	16,000	
Other Expenses												
Property Management	(5,962)	(6,082)	(5,884)	(5,833)	(23,761)		(6,500)	(6,500)	(6,500)	(6,500)	(26,000)	
Fee and Asset Management Expenses	(1,076)	(1,121)	(1,227)	(1,318)	(4,742)		(1,351)	(1,361)	(1,372)	(1,382)	(5,466)	
Expenses on Deferred Comp Plans	(1,864)	297	3,438	(1,607)	264		(1,607)	(1,607)	(1,607)	(1,607)	(6,428)	
General & Administrative Expenses	(9,748)	(11,582)	(11,790)	(13,113)	(46,233)		(12,000)	(11,590)	(11,677)	(11,765)	(47,031)	
EBITDA	$125,487	$128,604	$130,061	$135,234	$519,386	7.6%	$135,543	$139,470	$141,021	$143,429	$559,463	7.7%
Interest Expense	(24,612)	(24,411)	(23,265)	(23,740)	(96,028)		(24,374)	(25,668)	(26,961)	(28,405)	(105,408)	
Perpetual Preferred Dividends	0	0	0	0	0		0	0	0	0	0	
Preferred Stock Redemption Charge					0		0	0	0	0	0	
Amortizations	(798)	(620)	(725)		(2,143)		0	0	0	0	0	
Land Sale Gains					0		0	0	0	0	0	
Gain on Debt Repurchases					0		0	0	0	0	0	
Gain/(Loss) On Sale Of Property	0	0	0	226	226		226	226	226	226	904	
Noncontrolling Interests	0	0	0	0	0		0	0	0	0	0	
Income from Discontinued Operations					0		0	0	0	0	0	
Income Taxes	(429)	(407)	(498)	(538)	(1,872)		(538)	(538)	(538)	(538)	(2,152)	
One Time Items					0		0	0	0	0	0	
Non-Real Estate Depreciation	(1,167)	(1,125)	(1,227)	(1,600)	(5,119)		(1,600)	(1,600)	(1,600)	(1,600)	(6,400)	
Expensed Acquisition Costs					0		0	0	0	0	0	
Non-Cash Impairments					0		0	0	0	0	0	
FFO -- NAREIT Definition	**$98,481**	**$102,041**	**$104,346**	**$109,582**	**$414,450**	9.6%	**$109,257**	**$111,891**	**$112,147**	**$113,112**	**$446,407**	7.7%
Normalizing Factors												
Expensed Acquisition Costs	0	0	0	0	0		0	0	0	0	0	
Fund Incentive Compensation					0						0	
Land Sale Gains					0						0	
Normalized FFO	**$98,481**	**$102,041**	**$104,346**	**$109,582**	**$414,450**	6.8%	**$109,257**	**$111,891**	**$112,147**	**$113,112**	**$446,407**	7.7%
RE Depreciation	(60,363)	(62,603)	(63,852)	(64,286)	(251,104)		(64,430)	(64,836)	(65,242)	(65,836)	(260,344)	
RE Depreciation/Equity in Icome From Unc	(2,245)	(2,237)	(2,300)	(2,364)	(9,146)		(2,364)	(2,364)	(2,364)	(2,364)	(9,456)	
Minority Interests	(5,466)	(1,122)	(1,150)	(1,209)	(8,947)		(1,209)	(1,209)	(1,209)	(1,209)	(4,836)	
Interest & Amort. on Convert. Sub Debt	0	620	0		620		0	0	0	0	0	
Non-Cash Impairments					0						0	
Convertible Preferred Share Dividends					0		0	0	0	0	0	
Net Income Before Gain/Loss on Sales	**$30,407**	**$36,699**	**$37,044**	**$41,723**	**$145,873**	9.8%	**$41,255**	**$43,482**	**$43,332**	**$43,703**	**$171,771**	17.8%
Extraordinary Charge					0						0	
Gain on Sale of Property & JV Interests	85,192	0	0	18,870	104,062		5,000	7,500	7,500	5,000	25,000	
Net Income After Gain/Loss on Sales	**$115,599**	**$36,699**	**$37,044**	**$60,593**	**$249,935**	-14.4%	**$46,255**	**$50,982**	**$50,832**	**$48,703**	**$196,771**	-21.3%
Non Cash Charge					0						0	
Fund Incentive Compensation												
Capital Expenditures	(16,073)	(16,137)	(16,337)	(16,443)	(64,989)		(16,443)	(16,443)	(16,443)	(16,443)	(65,771)	
Adjusted Funds from Operations	**$82,408**	**$85,904**	**$88,009**	**$93,139**	**$349,461**	8.2%	**$92,815**	**$95,448**	**$95,705**	**$96,669**	**$380,636**	8.9%
Common Shares - EPS Diluted	90,464	90,252	90,341	90,418	90,369		90,418	90,418	90,418	90,418	90,418	
Fully Diluted Shares (FFO)	91,275	91,338	91,426	91,502	91,385		91,502	91,502	91,502	91,502	91,502	
Per Share Amounts												
FFO -- NAREIT Definition	**$1.08**	**$1.12**	**$1.14**	**$1.20**	**$4.54**	**8.4%**	**$1.19**	**$1.22**	**$1.23**	**$1.24**	**$4.88**	**7.6%**
Normalized FFO	**$1.08**	**$1.12**	**$1.14**	**$1.20**	**$4.54**	**5.6%**	**$1.19**	**$1.22**	**$1.23**	**$1.24**	**$4.88**	**7.6%**
Capital Expenditures	($0.18)	($0.18)	($0.18)	($0.18)	($0.71)		($0.18)	($0.18)	($0.18)	($0.18)	($0.72)	
Adjusted Funds from Operations	**$0.90**	**$0.94**	**$0.96**	**$1.02**	**$3.82**	**7.0%**	**$1.01**	**$1.04**	**$1.05**	**$1.06**	**$4.16**	**8.8%**
Net Income - EPS (after gain on sale)	**$1.28**	**$0.41**	**$0.41**	**$0.67**	**$2.77**	-15.4%	**$0.51**	**$0.56**	**$0.56**	**$0.54**	**$2.18**	-21.3%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 6: Updated EQR Earnings Model

Income Statement		2015			Full Year			2016			Full Year	
(In thousands, except per share figures)	1QA	2QA	3QA	4QA	2015A	% Change	1QE	2QE	3QE	4QE	2016E	% Change
Operating Income and Expenses												
Rental Revenue	$664,606	$676,508	$694,245	$701,219	$2,736,578	5%	$704,819	$715,214	$725,830	$729,842	$2,875,705	5%
Property and Maintenance	(124,560)	(118,005)	(122,383)	(114,212)	(479,160)	1%	(115,146)	(116,031)	(116,949)	(117,806)	(465,932)	-3%
Real Estate Taxes and Insurance	(86,432)	(83,119)	(84,962)	(85,289)	(339,802)	4%	(85,937)	(86,561)	(87,198)	(87,838)	(347,533)	2%
Property Management	(21,107)	(20,182)	(18,589)	(19,962)	(79,840)	0%	(20,062)	(20,162)	(20,263)	(20,364)	(80,851)	1%
NOI from Investment Activity					0		(72,317)	(79,198)	(81,248)	(76,672)	(309,434)	
Net Operating Income	$432,507	$455,202	$468,311	$481,756	$1,837,776	6%	$411,357	$413,262	$420,173	$427,162	$1,671,954	-9%
Nonoperating Income and Expenses												
Other/Interest Income	120	6,481	256	466	7,323		500	501	503	504	2,008	
Fee and Asset Mgmt Revenues	1,765	2,604	2,044	1,974	8,387		2,000	2,010	2,020	2,030	8,060	
Fee and Asset Mgmt Expenses	(1,321)	(1,274)	(1,169)	(1,257)	(5,021)	4,631.00	(1,257)	(1,263)	(1,270)	(1,276)	(5,066)	
Other Expenses (acq costs recorded separately below)	662	(534)	(441)	1,587	1,274		(300)	(300)	(300)	(300)	(1,200)	
Duplicative Costs (new comp program)	(2,337)	(2,336)	(4,967)	(2,336)	(11,976)		(3,500)	(3,500)	(3,500)	(3,500)	(14,000)	
General & Administrative Expenses (ex. exp. acq. costs)	(17,922)	(13,730)	(10,659)	(12,140)	(54,451)		(18,500)	(12,500)	(12,563)	(12,625)	(56,188)	
EBITDA	$413,474	$446,413	$453,375	$470,050	$1,783,312	6%	$390,300	$398,210	$405,063	$411,995	$1,605,568	-10%
Interest Expense	(108,622)	(110,795)	(114,205)	(110,447)	(444,069)	-3%	(91,423)	(92,944)	(96,636)	(99,786)	(380,790)	
Perpetual Preferred Dividends	(3,680)	(833)	(833)	(800)	(6,146)		(800)	(800)	(800)	(800)	(3,200)	
Preferred Redemption Charge				(697)	(697)						0	
NonControlling Interest	(643)	(844)	(986)	(1,184)	(3,657)		(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	
Non-Real Estate Depreciation	(1,112)	(1,117)	(1,098)	(1,066)	(4,393)		(1,250)	(1,250)	(1,250)	(1,250)	(5,000)	
Gain/(Loss) on Technology Investment					0		0	0	0	0	0	
Debt Repurchase Gains/Charges					0		(120,100)				(120,100)	
Unconsolidated Entities	(2,454)	1,165	(796)	1,188	(897)						0	
Diluted Basis Adjustment					0		0	0	0	0	0	
Furniture Income					0		0	0	0	0	0	
Condo Sales Gains	0	0	0	47	47		47	47	47	47	188	
Land Sales and Other Gains (incl. disc. Ops)	203	0	(100)		103		0	0	0	0	0	
Income and Other Tax (Expense) Benefit	(43)	(326)	(329)	(219)	(917)		(300)	(300)	(300)	(300)	(1,200)	
FASB APB 14-1 (Convertible Debt costs)					0						0	
Amort. Def. Financing Costs, Disc. Ops., and Other	(2,589)	(2,424)	(2,526)	(3,067)	(10,606)		(3,000)	(3,000)	(3,000)	(3,000)	(12,000)	
Archstone Charges												
Direct Merger Costs					0						0	
Indirect Merger Costs (JVs)	5,417	11,301	(245)	(551)	15,922						0	
Land Sale Gains					0						0	
Prepayment Penalties					0						0	
Expensed Acquisition Costs/Pursuit Costs	(592)	(1,236)	(698)	(1,690)	(4,216)		0	(500)	(2,000)	(3,000)	(5,500)	
Non-Cash Impairments					0		0	0	0	0	0	
FFO -- NAREIT Definition	**$299,359**	**$341,304**	**$331,559**	**$351,564**	**$1,323,786**	11%	**$172,474**	**$298,463**	**$300,124**	**$302,906**	**$1,073,967**	-19%
Normalizing Factors (EQR defined)												
Property Acquisition Costs & Write-off of Pursuit Costs	592	1,236	698	1,690	4,216		0	500	2,000	3,000	5,500	
Archstone-related Adjustments	(5,417)	(11,301)	245	551	(15,922)						0	
Debt Extinguishment (Gains)/Losses	1,473	(4)	3,032	1,203	5,704		120,100				120,100	
(Gains)/losses on Sales of Non-operating Assets, net	1,658	(2,458)	72	(2,155)	(2,883)						0	
Other Miscellaneous Non-comparable Items	1,337	(3,516)	4,880	200	2,901						0	
Normalized FFO	**$299,002**	**$325,261**	**$340,486**	**$353,053**	**$1,317,802**	10%	**$292,574**	**$298,963**	**$302,124**	**$305,906**	**$1,199,567**	-9%
Real Estate Depreciation	(193,409)	(193,165)	(194,961)	(179,967)	(761,502)		(146,436)	(145,119)	(145,638)	(145,638)	(582,832)	
Income to Minority Interests	0	0	0	0	0		0	0	0	0	0	
Income Attributable to OP Units	(7,059)	(11,354)	(7,778)	(8,050)	(34,241)		(8,050)	(8,050)	(8,050)	(8,050)	(32,200)	
Subtract of Convertible Preferred Dividend					0		0	0	0	0	0	
Other	0				0		0	0	0	0	0	
Net Income before Extraordinary and Gain on Sales	**$98,891**	**$136,785**	**$128,820**	**$163,547**	**$528,043**	29%	**$17,988**	**$145,294**	**$146,436**	**$149,217**	**$458,935**	-13%
Extraordinary Item - Loss					0		0	0	0	0	0	
Gain on asset sales	79,951	148,802	67,039	39,442	335,234		536,500	70,000	70,000	30,000	706,500	
Cumulative effect of change in accounting principle					0						0	
Net Income after Extraordinary and Gain on Sales	**$178,842**	**$285,587**	**$195,859**	**$202,989**	**$863,277**	38%	**$554,488**	**$215,294**	**$216,436**	**$179,217**	**$1,165,435**	35%
Non Recurrring Items												
Non-Cash Items					0						0	
Non-cash Interest Adjustment					0		0	0	0	0	0	
Capital Expenditures	(32,768)	(32,768)	(32,768)	(32,768)	(131,074)		(25,790)	(25,790)	(25,790)	(25,790)	(103,159)	
Adjusted Funds From Operations	**$266,234**	**$292,493**	**$307,718**	**$320,285**	**$1,186,728**	12%	**$266,784**	**$273,174**	**$276,334**	**$280,116**	**$1,096,408**	-8%
Shares Outstanding (EPS Basic)	363,098	363,476	363,579	363,828	363,495		363,828	363,828	363,828	363,828	363,828	
Shares (EPS Diluted)	380,327	380,491	380,663	381,220	380,675		381,220	381,220	381,220	381,220	381,220	
Shares and Units Outstanding (FFO Diluted)	380,327	380,491	380,663	381,220	380,675		382,520	382,520	382,520	382,520	382,520	
Per Share Amounts												
FFO -- NAREIT Definition	**$0.79**	**$0.90**	**$0.87**	**$0.92**	**$3.48**	**10%**	**$0.45**	**$0.78**	**$0.78**	**$0.79**	**$2.81**	**-19%**
Normalized FFO (MSUSA Official Estimates)	**$0.79**	**$0.85**	**$0.89**	**$0.93**	**$3.46**	**9%**	**$0.76**	**$0.78**	**$0.79**	**$0.80**	**$3.14**	**-9%**
Non Recurrring Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Non-Cash Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Mark to Market of Archstone Debt	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Capital Expenditures	($0.09)	($0.09)	($0.09)	($0.09)	($0.34)		($0.07)	($0.07)	($0.07)	($0.07)	($0.27)	
Adjusted Funds From Operation	**$0.70**	**$0.77**	**$0.81**	**$0.84**	**$3.12**	**11%**	**$0.70**	**$0.71**	**$0.72**	**$0.73**	**$2.87**	**-8%**
Net Income - EPS (after gain on sale)	**$0.49**	**$0.79**	**$0.54**	**$0.56**	**$2.37**	37%	**$1.52**	**$0.59**	**$0.59**	**$0.49**	**$3.20**	35%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 7: Updated ESS Earnings Model

Income Statement

	2015				Full Year		2016				Full Year	
(In thousands, except per share figures)	**1QA**	**2QA**	**3QA**	**4QA**	**2015A**	% Chg	**1QE**	**2QE**	**3QE**	**4QE**	**2016E**	% Chg
Operating Income and Expenses												
Rental Revenue	$280,229	$294,101	$302,522	$308,646	$1,185,498	23%	$307,552	$313,486	$319,570	$323,450	$1,264,058	7%
Property Operating Expense (inc. taxes)	(87,171)	(90,077)	(94,119)	(92,141)	(363,508)		(95,013)	(95,913)	(96,855)	(97,776)	(385,557)	
NOI from Investment Activity					0		(674)	4,011	10,168	10,648	24,153	
Net Operating Income	**$193,058**	**$204,024**	**$208,403**	**$216,505**	**$821,990**	27%	**$211,865**	**$221,584**	**$232,883**	**$236,322**	**$902,654**	10%
Nonoperating Income and Expenses												
Management Income	2,644	2,061	2,104	2,100	8,909		2,250	2,250	2,250	2,250	9,000	
Development and Redevelopment Income					0						0	
Cost of Management & Fee Income					0						0	
Co-Investment Income (ex. Promotes)	16,228	16,577	19,787	18,903	71,495		20,000	20,000	20,000	20,000	80,000	
Promote Income			192		192		0	0	0	0	0	
Interest and Other Income	4,199	3,254	7,367	4,323	19,143		4,312	4,301	4,291	4,280	17,184	
General & Administrative Expenses	(10,545)	(9,549)	(11,129)	(8,867)	(40,090)		(10,934)	(10,266)	(10,342)	(10,420)	(41,962)	
EBITDA	**$205,584**	**$216,367**	**$226,724**	**$232,964**	**$881,639**	25%	**$227,494**	**$237,869**	**$249,081**	**$252,432**	**$966,877**	10%
Interest Expense	(47,546)	(50,802)	(50,053)	(50,771)	(199,172)		(49,026)	(50,391)	(51,861)	(50,861)	(202,139)	
Preferred Dividends	(1,314)	(1,313)	(1,314)	(1,314)	(5,255)		(1,314)	(1,314)	(1,314)	(1,314)	(5,256)	
Preferred Stock Redemption Charge				0	0		0	0	0	0	0	
Convertible Debt Adjustment (APB-14-1)					0		0	0	0	0	0	
Noncontrolling Interest	(2,013)	(2,093)	(2,074)	(2,114)	(8,294)		(2,250)	(2,250)	(2,250)	(2,250)	(9,000)	
Provision for Income Taxes					0						0	
Debt Extinguisment				(6,114)	(6,114)							
Non-Cash Impairments					0						0	
Gain/(Loss) from Debt Repurchase					0						0	
Discontinued Operations				0	0		0	0	0	0	0	
Non-Real Estate Depreciation/Amort.	(249)	(251)	(253)	(28)	(781)		(300)	(300)	(300)	(300)	(1,200)	
Acquisition Costs (incl. BRE for 2014)	(547)	(429)	(381)	(1,057)	(2,414)		0	(1,000)	(1,000)	0	(2,000)	
Merger and Integration Expenses	(2,388)	(1,410)	0		(3,798)							
One-time items	0	0	(1,751)		(1,751)						0	
FFO (NAREIT Definition)	**$151,527**	**$160,069**	**$170,898**	**$171,566**	**$654,060**	41%	**$174,604**	**$182,614**	**$192,356**	**$197,707**	**$747,282**	14%
Normalizing Factors (ESS defined)												
Merger and Integration Expenses	2,388	1,410	0		3,798		0	1,000	1,000	0	2,000	
Cyber Intrusion Expenses					0						0	
Acquisition and Disposition Costs	547	429	381	1,057	2,414						0	
Acquisition Fee Income					0						0	
Loss/(Gain) on Sale of Marketable Securi	0	0	(598)		(598)						0	
Gain on Sale of Land					0						0	
Loss on Early Retirement of Debt				6,114	6,114			1,250	1,250		2,500	
Co-investment Promote Income	0	0	(192)		(192)						0	
Income from Early Redemption of Preferre	(469)	0	(1,485)		(1,954)						0	
Other Non-core Adjustments	(1,375)	(582)	(569)	(444)	(2,970)						0	
Earthquake Costs					0						0	
Utility Accrual					0						0	
Normalized FFO	**$152,618**	**$161,326**	**$168,435**	**$178,293**	**$660,672**		**$174,604**	**$184,864**	**$194,606**	**$197,707**	**$751,782**	
Depreciation/Amortization	(118,575)	(125,585)	(128,855)	(129,453)	(502,468)		(128,732)	(130,913)	(134,020)	(134,020)	(527,685)	
Noncontrolling Interest	(2,063)	(1,581)	(1,471)	(2,710)	(7,825)		(2,710)	(2,710)	(2,710)	(2,710)	(10,840)	
Net Income before gains	**$30,889**	**$32,903**	**$40,572**	**$39,403**	**$143,767**	103%	**$43,161**	**$48,991**	**$55,627**	**$60,977**	**$208,757**	45%
Gain (Loss) on Asset Sales	28,474	12,652	0		41,126		16,333	(5,000)	(20,000)	0	(8,667)	
Non-Recurring Expense	0	0	1,751	40,221	41,972						0	
Convertible Preferred Stock	0	0	0		0						0	
Net Income after gains	**$59,363**	**$45,555**	**$42,323**	**$79,624**	**$226,865**	88%	**$59,495**	**$43,991**	**$35,627**	**$60,977**	**$200,090**	-12%
Non-Cash Items					0		0	0	0	0	0	
Mark to Market of BRE debt	(5,750)	(5,750)	(5,250)	(5,250)	(22,000)		(4,750)	(4,250)	(3,750)	(3,250)	(16,000)	
Capital Expenditures	(15,067)	(12,140)	(12,140)	(12,203)	(51,550)		(12,203)	(12,203)	(12,203)	(12,203)	(48,812)	
Adjusted Funds From Operations	**$131,801**	**$143,436**	**$151,045**	**$160,840**	**$587,122**	33%	**$157,651**	**$168,411**	**$178,653**	**$182,254**	**$686,970**	17%
Weighted Average Shares	64,395	64,810	65,298	65,519	65,005		65,519	65,519	65,519	65,519	65,519	
Weighted Average Shares and OPUs	66,641	67,215	67,536	67,786	67,295		68,286	68,286	68,286	68,286	68,286	
Per Share Amounts												
FFO (NAREIT Definition)	**$2.27**	**$2.38**	**$2.53**	**$2.53**	**$9.72**	23.2%	**$2.56**	**$2.67**	**$2.82**	**$2.90**	**$10.94**	12.6%
Normalized FFO	**$2.29**	**$2.40**	**$2.49**	**$2.63**	**$9.82**	15.0%	**$2.56**	**$2.71**	**$2.85**	**$2.90**	**$11.01**	12.1%
Non-Cash Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Capital Expenditures	($0.23)	($0.18)	($0.18)	($0.18)	($0.77)		($0.18)	($0.18)	($0.18)	($0.18)	($0.71)	
Adjusted Funds From Operations	**$1.98**	**$2.13**	**$2.24**	**$2.37**	**$8.72**	16.8%	**$2.31**	**$2.47**	**$2.62**	**$2.67**	**$10.06**	15.3%
Net Income after gains	**$0.92**	**$0.70**	**$0.65**	**$1.22**	**$3.49**	64%	**$0.91**	**$0.67**	**$0.54**	**$0.93**	**$3.05**	-12%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 8: Updated MAA Earnings Model

Income Statement		2015			Full Year			2016			Full Year	
(In thousands, except per share figures)	1QA	2QA	3QA	4QA	2015A	% Chg	1QE	2QE	3QE	4QE	2016E	% Chg
Operating Income and Expenses												
Rental Revenue	$257,811	$258,891	$261,998	$263,337	$1,042,037		$260,611	$265,836	$271,305	$273,494	$1,071,246	
Operating Expenses	(100,394)	(100,856)	(101,599)	(97,541)	(400,390)		(98,294)	(99,050)	(99,812)	(100,544)	(397,701)	
Management and fee income, net							0	0	0	0	0	
Property Management Expenses	(8,493)	(6,986)	(7,628)	(7,884)	(30,991)		(7,943)	(8,003)	(8,063)	(8,123)	(32,132)	
NOI from Investment Activity							397	(49)	(127)	(509)	(288)	
Net Operating Income	$148,924	$151,049	$152,771	$157,912	$610,656	8.1%	$154,771	$158,734	$163,303	$164,318	$641,126	5.0%
Other Income and Expense Items												
Other/Interest Income (Expenses)	(157)	29	(179)	(8)	(315)		(50)	(50)	(50)	(50)	(201)	
Gain/(Loss) from Unconsolidated Entities	0	0	0	0	0		0	0	0	0	0	
Bulk Cable Revenues					0		0	0	0	0	0	
Bulk Cable Expenses					0		0	0	0	0	0	
General & Administrative Expenses	(6,566)	(6,657)	(5,879)	(6,613)	(25,715)		(7,500)	(7,056)	(7,109)	(7,162)	(28,828)	
EBITDA	$142,201	$144,421	$146,713	$151,291	$584,626	7.3%	$147,221	$151,627	$156,143	$157,105	$612,097	4.7%
Interest Expense	(35,325)	(34,865)	(34,663)	(34,735)	(139,588)		(36,140)	(36,609)	(37,527)	(38,433)	(148,708)	
Perpetual Preferred Dividends	0	0	0	0	0		0	0	0	0	0	
Preferred Stock Redemption Charge	0	0	0	0	0						0	
Gain (loss) on debt extinguishment and extra items.	(3,376)	(3)	(5)	(218)	(3,602)		0	0	0	0	0	
Amortization of deferred financing costs	(917)	(905)	(887)	0	(2,709)		0	0	0	0	0	
Net gain on Insurance/Settlement Proceeds	(19)	510	(5)	0	482		(4)	(4)	(4)	(4)	(16)	
Income Taxes	(510)	(398)	(512)	(254)	(1,674)		(500)	(500)	(500)	(500)	(2,000)	
Income from Discontinued Operations	433	0	0	0	433		0	0	0	0	0	
Gain on Sale of depreciable Assets	0	0	0	(4)	(4)		(4)	(4)	(4)	(4)	(16)	
Gain on Sale of Non-Depreciable Assets	7	149	(1)	0	155		0	0	0	0	0	
One-Time Expense Adjustment	0	0	0	0	0		0	0	0	0	0	
Non-Cash Real Estate Impairments	0	0	0	0	0		0	0	0	0	0	
Non-Real Estate Depreciation and Amortization	(653)	(727)	(757)	(793)	(2,930)		(793)	(793)	(793)	(793)	(3,172)	
Expensed Acquisition Costs (non-CLP)	(339)	(1,159)	(656)	(622)	(2,776)		(175)	(525)	(700)	(875)	(2,275)	
Noncontrolling interests	0	0	0	0	0		0	0	0	0	0	
Merger with Colonial (MSUSA Est)												
Merger Related and Other Acq. Costs	0	0	0	0	0						0	
Mark-to-Market of CLP Debt	5,394	5,337	5,321	3,901	19,953		3,851	3,801	3,751	3,701	15,104	
FFO (NAREIT Definition)	**$106,896**	**$112,360**	**$114,548**	**$118,566**	**$452,366**	11.9%	**$113,456**	**$116,994**	**$120,367**	**$120,197**	**$471,014**	4.1%
Normalizing Factors (MAA Defined)												
Acquisition Expense	339	1,159	656	622	2,776		175	525	700	875	2,275	
Merger Related Expense	0	0	0	0	0						0	
Integration Related Expense				0	0						0	
Loss/(Gain) on Sale of Non-depreciable Real Estate As	0	(172)	0	0	(172)						0	
Loss on Debt Extinguishment	3,376	3	5	218	3,602						0	
Mark-to-market Debt Adjustment	(5,394)	(5,337)	(5,321)	(3,901)	(19,953)		(3,851)	(3,801)	(3,751)	(3,701)	(15,104)	
Normalized FFO	**$105,217**	**$108,013**	**$109,888**	**$115,505**	**$438,619**		**$109,780**	**$113,718**	**$117,316**	**$117,371**	**$458,185**	
RE Depreciation	(72,459)	(73,669)	(72,341)	(73,121)	(291,590)		(73,402)	(73,402)	(73,651)	(73,807)	(294,262)	
Discontinued Operations					0		0	0	0	0	0	
Net Income to MAALP Before Gain/Loss on Sales	**$34,437**	**$38,691**	**$42,207**	**$45,445**	**$160,776**	54.3%	**$40,054**	**$43,592**	**$46,716**	**$46,390**	**$176,752**	9.9%
Extraordinary Charge					0						0	
Net Income Attributal to OP Units	(3,410)	(7,574)	(5,094)	(2,380)	(18,458)		(1,402)	(1,526)	(1,635)	(1,624)	(6,186)	
Gain on Sale of Discontinued Operations & JV	12	0	0		12						0	
Gain on Sale of depreciable Assets	30,228	105,182	54,621	(78)	189,953		0	7,500	7,500	10,000	25,000	
Net Income to MAA after Gain/Loss on Sales	**$61,267**	**$136,299**	**$91,734**	**$42,987**	**$332,283**	124.5%	**$38,652**	**$49,566**	**$52,581**	**$54,766**	**$195,566**	-41.1%
Non-Cash Items					0						0	
Capital Expenditures	(13,383)	(20,287)	(13,383)	(13,383)	(60,436)		(13,383)	(13,383)	(13,383)	(13,383)	(53,532)	
Adjusted Funds from Operations	**$91,834**	**$87,726**	**$96,505**	**$102,122**	**$378,183**	13.4%	**$96,397**	**$100,335**	**$103,933**	**$103,988**	**$404,653**	7.0%
Common Shares - EPS Diluted	75,145	75,168	75,189	75,400	75,226		75,400	75,400	75,400	75,400	75,400	
Fully Diluted Shares (FFO)	79,506	79,554	79,570	79,575	79,551		79,575	79,575	79,575	79,575	79,575	
Per Share Amounts												
FFO (NAREIT Definition)	**$1.34**	**$1.41**	**$1.44**	**$1.49**	**$5.69**	**11.7%**	**$1.43**	**$1.47**	**$1.51**	**$1.51**	**$5.92**	**4.1%**
Normalized FFO	**$1.32**	**$1.36**	**$1.38**	**$1.45**	**$5.51**	**10.6%**	**$1.38**	**$1.43**	**$1.47**	**$1.47**	**$5.76**	**4.4%**
Non-Cash Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Capital Expenditures	($0.17)	($0.26)	($0.17)	($0.17)	($0.76)		($0.17)	($0.17)	($0.17)	($0.17)	($0.67)	
Adjusted Funds from Operations	**$1.16**	**$1.10**	**$1.21**	**$1.28**	**$4.75**	**13.1%**	**$1.21**	**$1.26**	**$1.31**	**$1.31**	**$5.09**	**7.0%**
Net Income - EPS (after gain on sale)	**$0.81**	**$1.81**	**$1.22**	**$0.57**	**$4.41**	123.9%	**$0.50**	**$0.64**	**$0.68**	**$0.71**	**$2.54**	-42.5%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 9: Updated PPS Earnings Model

Income Statement		2015			Full Year			2016			Full Year	
(In thousands, except per share figures)	**1QA**	**2QA**	**3QA**	**4QA**	**2015A**	**% Chg**	**1QE**	**2QE**	**3QE**	**4QE**	**2016E**	**% Chg**
Operating Income and Expenses												
Rental Revenue	$87,661	$89,368	$91,802	$91,784	$360,615	1%	$91,695	$92,896	$93,584	$93,627	$371,802	3%
Operating Expenses	(40,123)	(41,512)	(42,707)	(41,014)	(165,356)	1%	(41,365)	(41,728)	(42,102)	(42,461)	(167,656)	1%
Other Real Estate Income	5,457	5,789	5,628	5,308	22,182	4%	5,471	5,803	5,642	5,321	22,237	0%
NOI from Investment Activity					0		378	665	1,356	2,047	4,446	
Net Operating Income	**$52,995**	**$53,645**	**$54,723**	**$56,078**	**$217,441**	**2%**	**$56,178**	**$57,636**	**$58,481**	**$58,535**	**$230,829**	**6%**
Nonoperating Income and Expenses												
Interest and Dividend Income	81	43	34	10	168		50	50	50	50	201	
Other Income	118	79	122	285	604		150	150	150	150	600	
General & Administrative Expenses	(5,014)	(4,353)	(4,622)	(4,569)	(18,558)		(5,250)	(4,600)	(4,623)	(4,646)	(19,119)	
EBITDA	**$48,180**	**$49,414**	**$50,257**	**$51,804**	**$199,655**	**1%**	**$51,128**	**$53,236**	**$54,058**	**$54,089**	**$212,511**	**6%**
Interest Expense	(8,093)	(7,753)	(7,927)	(7,814)	(31,587)		(7,814)	(8,533)	(9,542)	(9,542)	(35,430)	
Loss from Debt Extinguishment					0						0	
Preferred Dividends	(922)	(922)	(922)	(922)	(3,688)		(922)	(922)	(922)	(922)	(3,688)	
Preferred Stock Adjustment					0		0	0	0	0	0	
Noncontrolling Interest	397	568	603	640	2,208		550	550	550	550	2,200	
Discontinued Operations					0		0	0	0	0	0	
Asset Sale Gains (Losses)	0	0	0		0						0	
Non-Cash Impairments					0						0	
Addbacks (e.g. Affordable sale, debt extinguis	(646)	(433)	(432)	(433)	(1,944)		(300)	(300)	(300)	(300)	(1,200)	
Non-Real Estate Deprec. & Loss on Disp of Prop	(46)	(45)	(61)	(234)	(386)		(234)	(234)	(234)	(234)	(936)	
Expensed Acquisition Costs					0		0	0	0	0	0	
Investment and Development	(235)	(275)	(73)	(33)	(616)						0	
Other Expenses					0						0	
Other Investment Costs	(134)	(154)	(165)	(487)	(940)		(100)	(100)	(100)	(100)	(400)	
FFO (NAREIT Definition)	**$38,501**	**$40,400**	**$41,280**	**$42,521**	**$162,702**	**22%**	**$42,308**	**$43,697**	**$43,510**	**$43,541**	**$173,057**	**6%**
Normalizing Factors												
Expensed Acquisition Costs					0		0	0	0	0	0	
Other					0						0	
Normalized FFO	**$38,501**	**$40,400**	**$41,280**	**$42,521**	**$162,702**	**22%**	**$42,308**	**$43,697**	**$43,510**	**$43,541**	**$173,057**	**6%**
RE Depreciation (incl.unconsolidated entities)	(21,211)	(21,373)	(22,012)	(22,476)	(87,072)		(22,476)	(22,476)	(22,476)	(22,476)	(89,904)	
Convertible Preferred Dividends				0	0		0	0	0	0	0	
Net Income to OP (before gains, extra)	**$17,290**	**$19,027**	**$19,268**	**$20,045**	**$75,630**	56%	**$19,832**	**$21,221**	**$21,034**	**$21,065**	**$83,153**	10%
Gain (Loss) on Asset Sales	1,773	(298)	0	0	1,475		0	0	0	0	0	
Net Income Attributable to OP Units	(42)	(41)	(43)	(44)	(170)		(44)	(44)	(44)	(44)	(176)	
Non-Recurring Expense					0						0	
Extraordinary Item					0						0	
Net Income to Common (after gains, extra)	**$19,021**	**$18,688**	**$19,225**	**$20,001**	**$76,935**		**$19,788**	**$21,177**	**$20,990**	**$21,021**	**$82,977**	
Other Non-Cash Items	115	112	112	112	451		100	100	100	100	400	
Net loss on early extinguisment of debt	197	0	0	0	197						0	
Non Controlling Interest	0	0	0	0	0						0	
Capital Expenditures	(5,838)	(5,841)	(5,931)	(6,041)	(23,650)		(6,645)	(6,645)	(6,645)	(6,645)	(26,578)	
Adjusted Funds From Operations	**$32,976**	**$34,671**	**$35,461**	**$36,593**	**$139,700**	**10%**	**$35,763**	**$37,153**	**$36,966**	**$36,997**	**$146,879**	**5%**
Weighted Average Shares	54,465	54,469	54,342	53,955	54,308		53,955	53,955	53,955	53,955	53,955	
Weighted Average Shares and OPUs	54,705	54,728	54,599	54,212	54,561		54,212	54,212	54,212	54,212	54,212	
Per Share Amounts												
FFO (NAREIT Definition)	**$0.70**	**$0.74**	**$0.76**	**$0.78**	**$2.98**	**22%**	**$0.78**	**$0.81**	**$0.80**	**$0.80**	**$3.19**	**7%**
Normalized FFO	**$0.70**	**$0.74**	**$0.76**	**$0.78**	**$2.98**	**22%**	**$0.78**	**$0.81**	**$0.80**	**$0.80**	**$3.19**	**7%**
Adjusted Funds From Operations	**$0.60**	**$0.63**	**$0.65**	**$0.67**	**$2.56**	**10%**	**$0.66**	**$0.69**	**$0.68**	**$0.68**	**$2.71**	**6%**
Net Income (after gains, extra)	**$0.35**	**$0.34**	**$0.35**	**$0.37**	**$1.42**	-64%	**$0.37**	**$0.39**	**$0.39**	**$0.39**	**$1.54**	9%

Source: Company Reports and Mizuho Securities USA estimates.

Exhibit 10: Updated UDR Earnings Model

Income Statement

(In thousands, except per share figures)	2015 1QA	2QA	3QA	4QA	Full Year 2015A	% Chg	2016 1QE	2QE	3QE	4QE	Full Year 2016E	% Chg
Operating Income and Expenses												
Rental Revenue	**$207,047**	**$212,764**	**$217,765**	**$234,352**	**$871,928**	**8%**	**$236,761**	**$241,048**	**$244,314**	**$246,989**	**$969,112**	**11%**
Operating Expenses:												
Property Operating and Maintenance	(37,250)	(37,194)	(39,478)	(41,174)	(155,096)		(41,477)	(41,779)	(42,100)	(42,434)	(167,789)	
Real Estate Taxes and Insurance	(26,222)	(25,138)	(24,722)	(26,881)	(102,963)		(27,094)	(27,298)	(27,499)	(27,718)	(109,609)	
Personnel					0						0	
Utilities					0						0	
Repairs and Maintenance					0						0	
Administrative and Marketing					0						0	
Property Management	(5,694)	(5,851)	(5,988)	(6,445)	(23,978)		(6,000)	(6,000)	(6,000)	(6,000)	(24,000)	
Other	(1,766)	(1,769)	(2,639)	(3,534)	(9,708)		(1,750)	(1,750)	(1,750)	(1,750)	(7,000)	
Total Operating Expenses	**(70,932)**	**(69,952)**	**(72,827)**	**(78,034)**	**(291,745)**	**5%**	**(76,321)**	**(76,827)**	**(77,349)**	**(77,902)**	**(308,398)**	**6%**
NOI from Investment Activity					0		(2,444)	(4,488)	(5,586)	(7,066)	(19,584)	
Net Operating Income	**$136,115**	**$142,812**	**$144,938**	**$156,318**	**$580,183**	**10%**	**$157,996**	**$159,733**	**$161,379**	**$162,021**	**$641,129**	**11%**
Other Income and Expenses												
Sale of Technology Investment					0		0	0	0	0	0	
Joint Venture FFO (excluding mgmt income)	9,936	9,444	12,087	10,441	41,908		11,000	11,047	11,108	11,160	44,315	
Joint Venture Management Income	12,706	3,098	3,653	3,253	22,710		4,000	4,000	4,000	4,000	16,000	
Interest and Other Income	360	382	402	407	1,551		400	400	400	400	1,600	
General & Administrative Expenses	(11,953)	(13,637)	(15,414)	(16,560)	(57,564)		(14,500)	(12,500)	(12,563)	(12,625)	(52,188)	
EBITDA	**$147,164**	**$142,099**	**$145,666**	**$153,859**	**$588,788**	**9%**	**$158,896**	**$162,680**	**$164,324**	**$164,955**	**$650,856**	**11%**
Interest Expense (Excl. APB 14-1)	(28,800)	(29,673)	(30,232)	(33,170)	(121,875)		(32,521)	(31,959)	(33,421)	(32,546)	(130,447)	
APB 14-1 Non-cash Interest Expense	0	0	0	0	0		0	0	0	0	0	
Preferred Dividends	0	0	0	0	0		0	0	0	0	0	
Noncontrolling Interest	0	0	0	0	0		0	0	0	0	0	
Gains from Asset Sales	0			(372)	(372)						0	
One Time Items	(996)	(843)	(541)	45	(2,335)						0	
Loss On Early Debt Retirement					0						0	
Tax Adjustment	425	1,404	633	1,424	3,886		250	250	250	250	1,000	
Discontinued Operations	0				0		0	0	0	0	0	
Non-Real Estate Depreciation/Amortization	(1,623)	(1,700)	(1,457)	(1,899)	(6,679)		(1,250)	(1,250)	(1,250)	(1,250)	(5,000)	
Expensed Acquisition Costs	(199)	(84)	(410)	(1,433)	(2,126)		0	(250)	(250)	0	(500)	
Non-Cash Impairments					0						0	
FFO -- NAREIT Definition	**$115,971**	**$111,203**	**$113,659**	**$118,454**	**$459,287**		**$125,375**	**$129,472**	**$129,653**	**$131,409**	**$515,909**	
Normalizing Factors												
Expensed Acquisition Costs	199	1,544	410	1,433	3,586		0	250	250	0	500	
JV Financing and Acquisition Costs				(372)	(372)						0	
Debt Extinguishment/Tender Activity					0						0	
Land Sales Adjustment					0						0	
Gain on Note Prepayment				705	705						0	
Gains on Sale of TRS/Marketable Securities					0						0	
Other Gains/Promotes	(9,633)				(9,633)						0	
Other One Time Costs					0						0	
Tax Adjustment					0						0	
Long-term Incentive Plan Transition Cost	854	1,008	791	884	3,537						0	
Casualty-Related Adjustments	996	843	797	2,173	4,809						0	
Normalized FFO	**$108,387**	**$114,598**	**$115,657**	**$123,277**	**$461,919**	15%	**$125,375**	**$129,722**	**$129,903**	**$131,409**	**$516,409**	12%
Depreciation/Amortization	(98,627)	(100,361)	(99,964)	(114,298)	(413,250)		(113,190)	(112,096)	(112,015)	(110,765)	(448,066)	
Minority Interest	(2,595)	(3,960)	(1,334)	(15,893)	(23,782)		(15,893)	(15,893)	(15,893)	(15,893)	(63,572)	
Net Income before gain, non-recur., extra.	**$14,749**	**$6,882**	**$12,361**	**($11,737)**	**$22,255**	131%	**($3,708)**	**$1,483**	**$1,745**	**$4,751**	**$4,270**	-81%
Gain (Loss) on Asset Sales	59,073	79,042	0	173,007	311,122		19,229	20,000	20,000	20,000	79,229	
APB 14-1					0						0	
Non-Recurring Income (Expense)					0						0	
Convertible Preferred Stock	0	0	0	0	0		0	0	0	0	0	
Net Income after gain, non-recur., extra.	**$73,822**	**$85,924**	**$12,361**	**$161,270**	**$333,377**	116%	**$15,521**	**$21,483**	**$21,745**	**$24,751**	**$83,499**	-75%
Capital Expenditures	(9,989)	(9,851)	(9,851)	(10,182)	(39,873)		(10,182)	(10,182)	(10,182)	(10,182)	(40,728)	
Non Cash Items	0	0	0	0	0		0	0	0	0	0	
Adjusted Funds From Operations	**$98,398**	**$104,747**	**$105,806**	**$113,095**	**$422,046**	18%	**$115,193**	**$119,540**	**$119,721**	**$121,227**	**$475,681**	13%
Weighted Average Shares and OPUs	270,863	271,931	273,297	290,422	276,628		290,422	290,422	290,422	290,422	290,422	
Weighted Average Shares	265,999	266,974	268,175	266,108	266,814		266,108	266,108	266,108	266,108	266,108	
Per Share Amounts												
FFO -- NAREIT Definition	**$0.43**	**$0.41**	**$0.42**	**$0.41**	**$1.66**	6%	**$0.43**	**$0.45**	**$0.45**	**$0.45**	**$1.78**	7%
Normalized FFO	**$0.40**	**$0.42**	**$0.42**	**$0.42**	**$1.67**	10%	**$0.43**	**$0.45**	**$0.45**	**$0.45**	**$1.78**	6%
Net Income after gain, non-recur., extra.	**$0.28**	**$0.32**	**$0.05**	**$0.61**	**$1.25**	111%	**$0.06**	**$0.08**	**$0.08**	**$0.09**	**$0.31**	-75%
Capital Expenditures	($0.04)	($0.04)	($0.04)	($0.04)	($0.14)		($0.04)	($0.04)	($0.04)	($0.04)	($0.14)	
Non Cash Items	$0.00	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	
Adjusted Funds From Operations	**$0.36**	**$0.39**	**$0.39**	**$0.39**	**$1.53**	13%	**$0.40**	**$0.41**	**$0.41**	**$0.42**	**$1.64**	7%

Source: Company Reports and Mizuho Securities USA estimates.

Price Target Calculation and Key Risks

Apartment Investment & Management Company

Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate. Should the company's redevelopment platform experience further cost overruns and delays, our price target may not be achieved.

AvalonBay Communities, Inc.

Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate. Should the company's extensive development pipeline produce returns below current expectations, our price target may not be achieved.

Camden Property Trust

Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate. Should CPT's DC and Houston exposure weigh on growth to a degree greater than we expect, our price target may not be achieved.

Equity Residential

Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate. If the company's same store growth prospects decline in the face of increased competition from new supply, our price target may not be achieved.

Essex Property Trust, Inc.

Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate. Should the performance of its West Coast markets be negatively impacted by supply, primarily in Seattle and San Jose, our price target may not be achieved.

Mid-America Apartment Communities, Inc.

Our price target is based on a 5% range around 18.5x our 2016 AFFO estimate. Should MAA's secondary markets experience further job growth deceleration, our price target may not be achieved.

Post Properties, Inc.

Given the elevated industry chatter regarding consolidation, and with PPS being a direct part of that conversation, our price target is based on a 5% range around 21.5x our 2016 AFFO estimate -- above its nearest peers. In the absence of a transaction, and/or if supply pressures continue to mute same store performance to a degree greater than expected, our price target may not be achieved.

UDR, Inc.

Our price target is based on a 5% range around 23.5x our 2016 AFFO estimate. Should UDR experience revenue growth deceleration to a degree greater than our expectations, our price target may not be achieved.

Companies Mentioned (prices as of 2/05)

Twitter, Inc. (TWTR- Neutral $15.72)

Yahoo! Inc. (YHOO- Neutral $27.97)

IMPORTANT DISCLOSURES

The disclosures for the subject companies of this report as well as the disclosures for Mizuho Securities USA Inc. entire coverage universe can be found at https://msusa.bluematrix.com/sellside/Disclosures.action or obtained by contacting EQSupervisoryAnalystUS@us.mizuho-sc.com or via postal mail at Equity Research Editorial Department, Mizuho Securities USA Inc., 320 Park Avenue, 12th Floor, New York NY, 10022.

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As of the date of this report, the research analyst listed on the cover page of this report or household member beneficially owns or has a financial interest in No of the Apartment Investment & Management CompanyAvalonBay Communities, Inc.Camden Property TrustEquity ResidentialEssex Property Trust, Inc.Mid-America Apartment Communities, Inc.UDR, Inc.Post Properties, Inc..

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Mizuho Securities USA investment ratings are based on the following definitions. Anticipated share price change is based on a 6- to 12-month time frame. Return expectation excludes dividends.

Buy:	Stocks for which the anticipated share price appreciation exceeds 10%.
Neutral:	Stocks for which the anticipated share price appreciation is within 10% of the share price.
Underperform:	Stocks for which the anticipated share price falls by 10% or more.
RS:	Rating Suspended - rating and price objective temporarily suspended.
NR:	No Rating - not covered, and therefore not assigned a rating.

Rating Distribution

(As of 2/05)	**% of coverage**	**IB service past 12 mo**
Buy (Buy)	51.96%	36.56%
Hold (Neutral)	47.49%	23.53%
Sell (Underperform)	0.56%	0.00%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.

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