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Equity Residential

The 99-Unit Moat: Initiating at Overweight

New York developers filed plans for 11,746 apartments in the third quarter, the fourth-highest quarterly total in a decade. But 194 of the 207 buildings stop at 99 units or fewer, and 21 stop at exactly 99. That line is drawn by the tax code: at 100 units, 485-x adds a \$41/hr construction wage floor and a larger affordable set-aside, and at 150 units in Manhattan below 96th Street and parts of Brooklyn and Queens the floor rises to \$64.58-74.26/hr. Equity Residential owns 5,850 New York City apartments, and on our mapping all but one of its 25 buildings sit inside those two wage zones. Since the election, the New York debate has centred on the mayor-elect's rent-freeze pledge. We think the bigger story is that the building that would compete with EQR's, an unsubsidised rental tower in Zone A or B, has become very hard to finance. The market is not paying for it: the shares are down 17% this year, in line with peers that own nothing in New York, and trade on a 6.4% implied cap rate on FY26E NOI, 24% below consensus NAV. We initiate at Overweight with a Dec-26 price target of \$72.

- **Initiating at Overweight, Dec-26 PT \$72.** Our PT blends three Dec-26 scenarios (Table 1). Base (50%): same-store revenue grows 2.5% in 2026 and 3.3% in 2027 as competitive supply in EQR's markets falls ~35%; a 5.6% cap rate on FY27E NOI after property management of \$2.06bn (5.4% on FY26E, ~50bp above the 4.75-5.00% at which management says apartments trade privately), less net debt of \$8.2bn: \$75/share. Bull (25%): 3.0% and 4.3% growth at 5.2%, \$84. Bear (25%): 1.4% and 1.9% growth with faster expense growth, consistent with weaker jobs and a New York rent freeze, at 6.75%: \$55. **With the 4.7% dividend, our PT implies a ~26% total return; the payoff is +42% against -7%.** Of 27 analysts, 16 rate the shares Hold; the mean PT is \$71.
- **The 99-unit ceiling is a moat where EQR owns.** Large buildings have not vanished: 3Q25 filings in 100+ unit buildings totalled 4,316 units, but REBNY says they were mainly in Queens and the Bronx, outside the wage zones. Meanwhile 56 buildings have been filed at exactly 99 units since 2Q24, against 13 in 2008-2023. On our pro forma a 99-unit Brooklyn building yields 6.0% on cost in year one; an unsubsidised Zone A tower yields 5.1%, barely above private-market cap rates (Figure 10). **Market rents would need to rise ~15% for the tower to earn what the 99-unit building does.**
- **The popular 485-x story, corrected.** It is right on direction, but three details need correcting. The \$64-74/hr wage applies only in Zones A and B; elsewhere a 150+ unit project pays \$41. The small-project share is not a record: 2Q25's 94.9% beat 3Q25's 93.7%, and 100+ unit buildings still held 37% of units, close to REBNY's historical ~40%; the record is the cluster at exactly 99. And the cost penalty depends on the tier: ~2% at \$41, but ~9% of development cost to ~20% of hard costs for a zone tower (Figure 7).

Overweight

EQR, EQR US

Price (14 Nov 25): \$59.42

Price Target (Dec-26): \$72.00

Initiation of coverage

REITs: Residential

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Quarterly Forecasts (FYE Dec)

Normalized FFO/share (\$)	2025E	2026E	2027E
Q1	0.95	0.97	1.01
Q2	0.99	1.01	1.05
Q3	1.02	1.05	1.09
Q4	1.04	1.05	1.09
FY	4.00	4.08	4.25

1Q-3Q25 actual. FY25 guidance \$3.98-4.02.

NYC Supply Dashboard

Metric	Latest	Prior	Chg
Manhattan median rent (\$)	4,600	4,295	+7%
Manhattan vacancy (%)	2.21	2.78	-57bp
Brooklyn median rent (\$)	3,850	3,600	+7%
Units in 100+ unit filings (%)*	36.7	53.8	-17pt
Exactly-99-unit filings, per qtr**	21	0.2	~100x
EQR NY same-store rev. growth (%)	4.2	3.9	+0.3pt
EQR NY occupancy (%)	97.6	97.4	+0.2pt
US 10-year yield (%)	4.15	4.42	-27bp

*REBNY new-building filings, 3Q25 vs FY2024. **3Q25 vs 13 buildings in 64 quarters over 2008-2023. Rents and vacancy: Elliman/Miller Samuel, Oct-25 vs Oct-24 new leases. EQR: 3Q25 vs 3Q24. 10-year: CBOE, 14-Nov-25 vs 14-Nov-24.

Sources for: NYC Supply Dashboard: REBNY Construction Pipeline Reports (Q4 2024, Q3 2025), Douglas Elliman/Miller Samuel, Equity Residential, CBOE via Yahoo Finance. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Price (\$)	59.42
Date of price	14-Nov-25
52-week range (\$)	78.32-58.38
Market cap. incl. OP units (\$ bn)	23.18
Shares and OP units (M)	390.1
Avg. daily volume, 3m (M shares)	2.32
Dividend yield	4.66%
Net debt / Normalized EBITDAre (3Q25)	4.41x
Senior unsecured ratings	A3 / A-
Exchange / Ticker	NYSE / EQR
Index	S&P 500

Key Metrics (FYE Dec)

\$ in millions	FY25E	FY26E	FY27E
Financial Estimates			
Rental income	3,098	3,185	3,300
Net operating income (NOI)	2,081	2,129	2,205
Normalized FFO	1,565	1,596	1,659
Normalized FFO/share	4.00	4.08	4.25
EPS (GAAP)	2.54	1.45	1.56
Dividend per share	2.77	2.84	2.91
Margins and Growth			
Revenue growth y/y	4.0%	2.8%	3.6%
Same-store revenue growth	2.8%	2.5%	3.3%
Same-store NOI growth	2.4%	2.0%	3.3%
NOI margin	67.2%	66.8%	66.8%
Normalized FFO/share growth	2.8%	2.1%	4.0%
Ratios			
Net debt / EBITDA	4.4x	4.3x	4.1x
Payout (DPS / Normalized FFO)	69%	70%	69%
Debt / gross real estate	27%	27%	26%
Valuation			
P / Normalized FFO	14.9x	14.6x	14.0x
Dividend yield	4.7%	4.8%	4.9%
Implied cap rate	6.30%	6.44%	6.67%

Summary Investment Thesis and Valuation

Investment Thesis

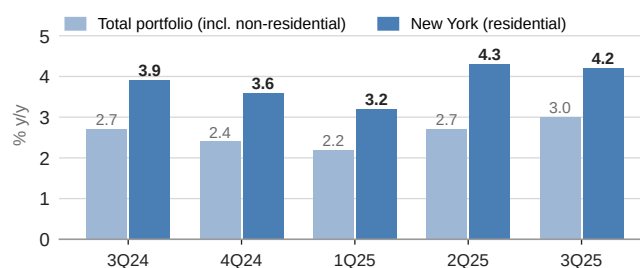
EQR owns 86,320 apartments in Boston, New York, Washington DC, Seattle, San Francisco and Southern California, plus expansion markets (Atlanta, Austin, Dallas/Fort Worth and Denver). New York is its highest-rent market (\$4,802/month) at 14.4% of NOI and has outgrown the portfolio in each of the last five quarters (chart, right). The shares are down 17% this year, broadly in line with apartment peers (UDR -20%, MAA -15%, ESS -11%), and fell 4% after a late-October cut to same-store revenue guidance on weaker demand, mainly in Washington DC. Three things look mispriced: supply in EQR's markets falls ~35% in 2026; in New York, 485-x makes the unsubsidised towers that compete with EQR's buildings hard to finance once the last 421-a wave is delivered; and the rent-freeze exposure is small, ~\$0.01-0.04/share of Normalized FFO on our numbers. We rate shares Overweight.

Valuation

Our \$72 Dec-26 PT is a probability-weighted blend of three scenarios. Base (50%): a 5.6% cap rate on FY27E NOI after property management of \$2.06bn, plus \$620M of development, land and joint-venture assets, less YE26E net debt of \$8.2bn and preferred, on 390.1M shares and units: \$75. The base cap rate equals 5.4% on FY26E NOI. Bull (25%): 5.2%, \$84. Bear (25%): 6.75% on lower NOI, \$55. At \$59.42 the shares trade on 14.9x FY25E Normalized FFO of \$4.00 and a 6.4% implied cap rate on FY26E NOI after property management. We rate shares Overweight.

New York Exposure

Same-store revenue growth, % y/y: New York vs. total portfolio



New York and other sensitivities	\$M p.a.	Per share
Portfolio same-store revenue, +/-1pt (FY26E)	30	\$0.08
New York same-store revenue, +/-1pt	5.2	\$0.01
RGB rent freeze, one year (2,128 units)	(3.7)	(\$0.01)
RGB rent freeze, four years (run-rate)	(15.4)	(\$0.04)
Cap rate +25bp (value, not NFFO)	-	(\$4.03)

- **New York and Policy Update.** (1) The mayor-elect won on 4 November on a platform that includes a rent freeze for New York's ~1 million rent-stabilised apartments. The nine-member Rent Guidelines Board is appointed by the mayor; its next binding vote is due in June 2026, for leases from 1 October 2026 (current guideline: +3% one-year, +4.5% two-year). (2) REBNY's 3Q25 report (11 November) counted 11,746 proposed units in 207 buildings, 21 of them at exactly 99 units. REBNY says HPD data show 485-x has yet to create a building above 99 units. (3) 421-a projects started before 15 June 2022 have until 15 June 2031 to finish; 651 projects with 68,002 units applied. Completions reached 33,974 in 2024, the most since 1965, and 25,674 in 1H25, only 2,576 of them in Manhattan. (4) EQR's New York portfolio was 97.6% occupied in 3Q25 with same-store revenue up 4.2%, and management calls competitive supply "very low". Manhattan's October median rent was \$4,600, up 7.1% y/y (Elliman). **A four-year freeze on every EQR unit registered as stabilised would cost ~\$15M a year by year four, ~\$0.04/share.**
- **3Q25 Summary.** Revenue rose 4.6% y/y to \$782.4M; same-store revenue grew 3.0% and NOI 2.8%, with a 2.2% blended lease rate and 96.3% occupancy. Normalized FFO of \$1.02/share met consensus. Management trimmed FY25 same-store revenue guidance to 2.5-3.0% (from 2.6-3.2%) on weaker late-quarter demand, especially in Washington DC, and guided 4Q blended rates of 0.25-0.75%; the shares fell 4.2% the next day. Net debt was 4.41x Normalized EBITDAre. See Figure 1.

Table 1: Equity Residential Dec-26 PT Methodology

\$ in millions, except per share and per apartment

	Bull	Base	Bear
Same-store revenue growth, FY26E / FY27E	3.0% / 4.3%	2.5% / 3.3%	1.4% / 1.9%
Same-store expense growth, FY26E / FY27E	3.6% / 3.3%	3.6% / 3.3%	3.8% / 3.6%
FY27E NOI (NTM at Dec-26)	2,253	2,205	2,120
Less: property management	(144)	(144)	(144)
FY27E NOI after property management	2,110	2,062	1,977
Cap rate	5.20%	5.60%	6.75%
Implied real estate value	40,571	36,815	29,288
Plus: development, land and JV investments	620	620	620
Less: YE26E net debt	(8,234)	(8,249)	(8,286)
Less: preferred shares	(17)	(17)	(17)
Target Equity Value	32,940	29,169	21,605
Common shares (24-Oct-25) and OP units (M)	390.1	390.1	390.1
Value per Share	\$84.44	\$74.77	\$55.38
Implied P / FY27E Normalized FFO	19.3x	17.6x	13.8x
Implied value per apartment (\$000)	470	426	339
Scenario Probability	25%	50%	25%
Dec-26 Price Target (probability-weighted)		\$72.00	
Price Return Potential		21%	
Total Return incl. 4.7% Dividend Yield		26%	

Source: Company reports, K2 Capital estimates. NOI as defined by EQR (rental income less direct property operating expenses), less property management costs. Net debt: total debt less cash and cash equivalents. Other assets: projects under development, land held for development and investments in unconsolidated entities at 30-Sep-25 book value. Shares: common shares at 24-Oct-25 plus OP units at 30-Sep-25. Value per apartment: implied real estate value over 86,320 units.

Figure 1: Equity Residential Earnings Trends

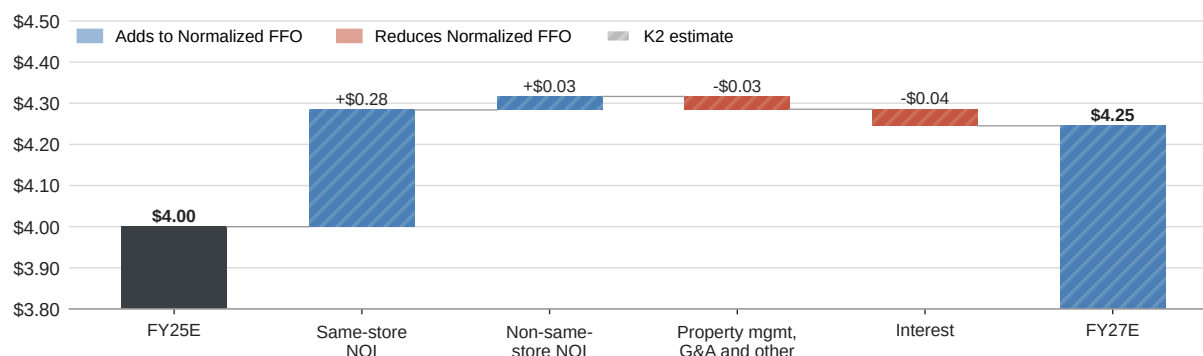
\$ in millions, except per share and where stated

	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E
Rental income	748.3	766.8	760.8	768.8	782.4	786.2
Property operating expenses	(241.2)	(245.0)	(255.7)	(248.6)	(256.5)	(256.1)
Net operating income	507.2	521.8	505.1	520.2	526.0	530.2
<i>NOI margin</i>	67.8%	68.0%	66.4%	67.7%	67.2%	67.4%
Same-store revenue growth y/y	2.7%	2.4%	2.2%	2.7%	3.0%	3.1%
Same-store NOI growth y/y	2.5%	1.6%	1.3%	2.3%	2.8%	3.4%
Blended lease rate (residential)	2.0%	1.0%	1.8%	3.0%	2.2%	0.5%
Same-store occupancy	96.1%	96.1%	96.5%	96.6%	96.3%	-
<i>New York same-store revenue growth</i>	3.9%	3.6%	3.2%	4.3%	4.2%	-
<i>New York blended lease rate</i>	2.9%	2.3%	3.5%	4.5%	3.3%	-
Normalized FFO	384.5	392.1	372.5	386.8	399.1	406.5
Normalized FFO/share (\$)	0.98	1.00	0.95	0.99	1.02	1.04

Source: Company reports, K2 Capital estimates. 4Q25E Normalized FFO, property management, G&A and interest at the midpoint of 28-Oct-25 guidance; same-store growth and blended rate for 4Q25E are implied by full-year and 4Q guidance. Same-store growth rates are y/y on each quarter's pool. Blended rate: residential, net effective.

Figure 2: From \$4.00 to \$4.25: Same-Store Growth Does the Work, Refinancing Takes a Little Back

Normalized FFO per share, FY25E to FY27E, base case; \$ per share



Source: K2 Capital estimates. Same-store revenue +2.5% and +3.3%, expenses +3.6% and +3.3% (FY26E, FY27E); non-same-store NOI from lease-up adds ~0.3pt a year. Interest: 3.80% and 3.92% average cost of debt, from 3.73% in FY25E, as 2026-27 maturities refinance near 5%. Acquisitions and dispositions of \$750M a year with no net earnings effect; no buybacks after 2025.

Figure 3: Dec-26 Equity Value per Share: Cap Rate vs. Same-Store Revenue Growth

Dec-26 value per share (\$); FY27E NOI after property management; columns flex average FY26-27E same-store revenue growth (base 2.5% and 3.3%); red: below current price; amber: within 20% above it

Cap rate vs. avg. same-store rev. growth	1.9%	2.4%	2.9%	3.4%	3.9%
5.0%	\$83	\$84	\$86	\$88	\$89
5.3%	\$77	\$79	\$80	\$82	\$83
5.6%	\$72	\$73	\$75	\$76	\$78
5.9%	\$67	\$69	\$70	\$71	\$73
6.2%	\$63	\$64	\$66	\$67	\$68
6.5%	\$59	\$60	\$62	\$63	\$64
6.8%	\$56	\$57	\$58	\$59	\$61

Source: K2 Capital estimates. Each 25bp on the cap rate moves value by ~\$4/share; each 0.5pt of annual same-store revenue growth by ~\$1.5/share. At \$59.42 the market implies 6.7% on our FY27E NOI after property management.

Why New York's Pipeline Stops at 99 Units

485-x (Affordable Neighborhoods for New Yorkers) replaced 421-a in April 2024 for projects starting after 15 June 2022. It exempts new rentals from property tax for up to 40 years in return for affordable units and, unlike 421-a, whose wage rules covered only 300+ unit projects in certain areas, ties a construction wage floor to building size (Figure 4). The first threshold is 100 units (\$41/hr); the second is 150 units in two zones, at \$74.26 (Zone A) or \$64.58 (Zone B), each capped at a share of the prevailing wage. **Below 100 units there is no wage floor beyond the city minimum of \$16.50, and developers have noticed.**

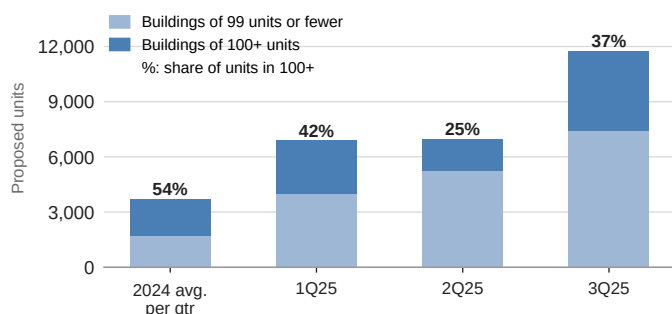
Figure 4: 485-x Rental Tiers: Affordability, Tax Benefit and Construction Wage

Tier	Units	Affordable	AMI	Tax exemption	Wage floor incl. benefits, 2025	Where
Small	6-10	50% rent-stab.	-	Build + 10 yrs	None	Outside Manhattan; lots under 12,500 sq ft
Modest	6-99	20%	80%	25 yrs + 10 partial	None (\$16.50 city minimum)	Citywide
Large	100+	25%	80%	35 yrs	\$41.00	Citywide, incl. 150+ outside Zones A and B
Very Large B	150+	25%	60%	40 yrs	\$64.58 or 60% of prevailing	Zone B: Brooklyn Heights to Park Slope, Crown Heights N.; parts of Astoria
Very Large A	150+	25%	60%	40 yrs	\$74.26 or 65% of prevailing	Zone A: Manhattan below 96th St; Greenpoint-Williamsburg; Long Island City

Source: RPTL 485-x as enacted April 2024, summarised by Herrick Feinstein (Apr-24) and HSF Kramer (May-24); wage floors of \$40.00, \$72.45 and \$63.00 at enactment, escalated 2.5% from 1-Jul-25 (K2 calculation). Zones are defined by neighbourhood tabulation areas; descriptions are approximate (Zone B also covers Fort Greene, Clinton Hill and Red Hook).

Figure 5: Proposed Units by Building Size

New-building filings, units; % = share of units in buildings of 100+ units



Source: REBNY Construction Pipeline Reports (Q4 2024, 28-Jan-25; Q1 2025, 19-May-25; Q2 2025, 22-Jul-25; Q3 2025, 11-Nov-25), DOB filings. 2024 shown as the quarterly average of 6,857 units in buildings of 99 or fewer and 7,986 in buildings of 100+. In absolute terms 3Q25's 4,316 units in 100+ unit buildings were the most shown; REBNY says they were mainly in Queens and the Bronx, and puts the historical large-project share at "nearly 40%" of units.

Figure 6: Buildings Filed at Exactly 99 Units

Number of buildings with exactly 99 proposed units

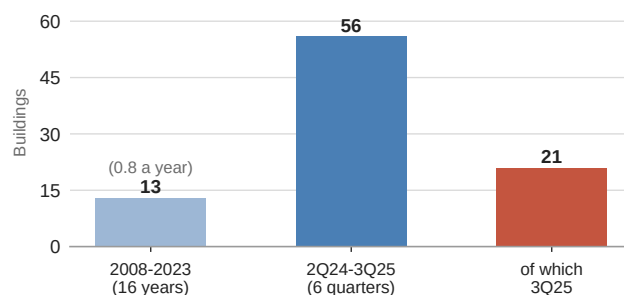


Figure 7: The 485-x Headline, Checked

Claim in circulation	Verdict	What the record shows
207 proposed buildings in 3Q25, only 13 with 100+ units	Correct	REBNY 3Q25: 11,746 proposed units in 207 buildings; 13 had 100+ units (2 at 100-149, 11 at 150+).
The small-project share is one of the largest ever	Not supported	93.7% of 3Q25 buildings had 99 units or fewer, below 2Q25's 94.9%, and 100+ unit buildings held 37% of units; REBNY claims no record. The record is the cluster at exactly 99: 21 in one quarter vs 13 in 2008-2023.
Under 100 units there is no wage requirement	Correct	485-x sets no wage floor for 6-99 unit projects; the city minimum wage of \$16.50/hr applies.
Above 100 units, \$41/hr	Correct (2025)	\$40/hr at enactment, rising 2.5% a year from 1-Jul-25; applies to 100+ unit projects citywide.
Above 150 units, \$64-74/hr	Only in Zones A and B	\$64.58 (Zone B) or \$74.26 (Zone A), capped at 60-65% of prevailing wage. Outside the zones a 150+ unit project pays \$41; REBNY says 3Q25's 13 large filings were mainly in Queens and the Bronx.
485-x requires 20-25% affordable	Correct, with tiers	20% at 80% of AMI (6-99 units), 25% at 80% (100+), 25% at 60% (150+ in the zones); 6-10 unit projects instead keep 50% of units rent-stabilised.
The wage rules raise costs 10-30%	Tier-dependent	~2% of construction cost at \$41 (REBNY); ~9% of development cost for a zone tower (ULI/Meridian); ~20% of hard or construction costs (MAG Partners; REBNY testimony). 10-30% fits zone towers, not the \$41 tier; full prevailing wage would add 23% (IBO, 2016).

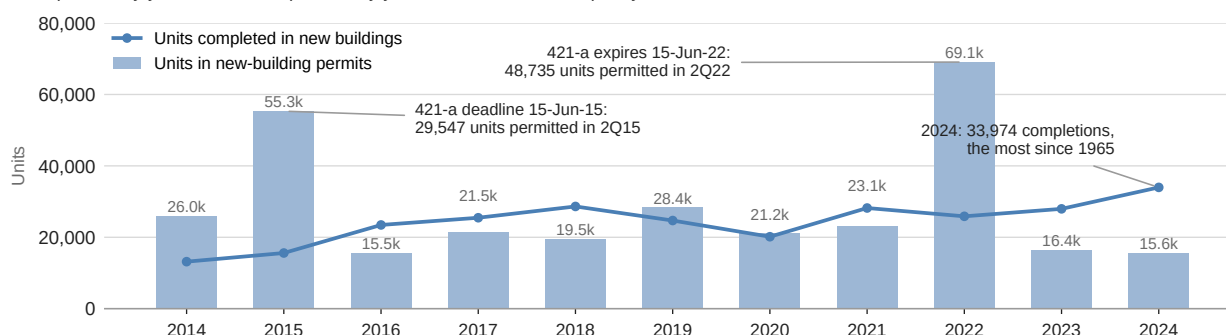
Source: Claims: K2 Capital summary of market commentary after REBNY's 3Q25 report. REBNY (Q2 and Q3 2025 Construction Pipeline Reports, 22-Jul-25 and 11-Nov-25; testimony 27-Oct-25), Herrick Feinstein and HSF Kramer (485-x terms), Commercial Observer (12-Nov-25), Bisnow (18-Sep-25), Bloomberg via MAG Partners (9-Sep-25), Vital City (17-Sep-25), K2 Capital.

The Last 421-a Wave Is Landing. Then the Towers Stop.

421-a shaped the last decade of large rental construction: the NYU Furman Center found nearly 70% of multifamily units completed in 2010-2020 used it. Each deadline brought a rush of filings: 29,547 units were permitted in 2Q15 alone ahead of the June 2015 deadline (the programme then lapsed in January 2016), and 48,735 in 2Q22 before the June 2022 expiry (Figure 8). The April 2024 housing deal gave those projects until 15 June 2031 to finish; 651 projects with 68,002 units applied. That is the supply landing now: completions hit 33,974 in 2024, the most since 1965, and 25,674 in 1H25, though only 2,576 of those were in Manhattan. **After this wave, large buildings depend on 485-x, and an unsubsidised tower in the wage zones does not work at today's rents (Figure 9).**

Figure 8: New York City: Units Permitted and Completed in New Buildings, 2014-2024

Units; permits by year issued, completions by year of certificate of occupancy



Source: NYC Department of City Planning Housing Database via the NYC Rent Guidelines Board 2025 Housing Supply Report (22-May-25), NYS Comptroller (Mar-25), NYS HCR (16-Oct-24), NYU Furman Center (16-Dec-24). Census Bureau permit counts differ materially for 2022 owing to a DOB system change.

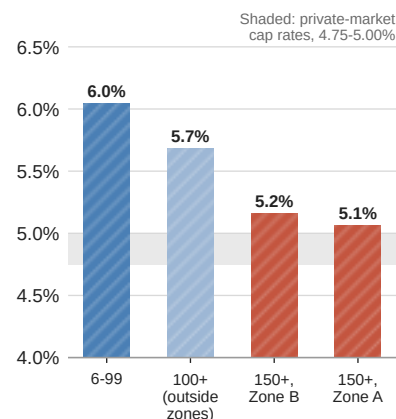
Figure 9: 485-x Feasibility: A New Brooklyn Rental Building by Tier

Per apartment; 900 gross sq ft per unit; land \$200/buildable sq ft; hard cost \$425/sq ft; soft costs 22% of base hard cost; market rent \$5,200/month; opex \$15,000/year; 3% vacancy; property tax exempt in early years

Per apartment	6-99 units	100+ units (outside zones)	150+ units, Zone B	150+ units, Zone A
Affordable share / AMI	20% / 80%	25% / 80%	25% / 60%	25% / 60%
Construction wage floor	None	\$41.00	\$64.58	\$74.26
Wage-driven cost increase	-	2.0%	7.0%	9.0%
Development cost (\$000)	647	660	692	705
Blended monthly rent (\$)	4,646	4,508	4,356	4,356
Year-one NOI (\$)	39,079	37,467	35,698	35,698
Year-one yield on cost	6.04%	5.68%	5.16%	5.06%
Spread to 4.875% exit cap rate (bp)	117	81	29	19
Market rent needed to match 6-99 yield (\$)	5,200	5,474	5,899	5,990
vs. assumed market rent	-	+5.3%	+13.4%	+15.2%

Source: K2 Capital estimates. Affordable rents: HPD 2025 one-bedroom limits (\$2,430 at 80% AMI, \$1,822 at 60%). Wage-driven increase in total development cost: REBNY's ~2% of construction cost at \$41 (Commercial Observer, 12-Nov-25), applied to total cost; ULI/Meridian's ~9% for a zone tower (Bisnow, 18-Sep-25); Zone B scaled by its wage premium over \$41. Exit cap rates: EQR management (29-Oct-25). Year-one yields ignore the longer exemption for larger tiers and use the same hard cost and rents for mid-rise and tower.

Figure 10: Year-One Yield on Cost



What it means for EQR. Our pro forma (Figure 9) is calibrated to ULI/Meridian's September 2025 Brooklyn case, which found a 6.1% yield for a sub-100-unit building and 5.2% for a large one under 485-x, against 6.4% for both under 421-a. A 99-unit building clears the 4.75-5.00% private-market cap rate by ~117bp; a Zone A tower by ~19bp, too thin to finance. Using MAG Partners' ~20% hard-cost estimate, the tower yields 4.9%. At the 6.4% cap rate implied by the share price, EQR's New York market is worth ~\$495K per apartment, against \$647K-705K to build new in Brooklyn in our pro forma; the comparison is rough, as a third of those units are in New Jersey and Westchester and many buildings are older. **EQR owns the product that 485-x makes hardest to build, at what looks like a discount to replacement cost.**

Investment Thesis, Valuation and Risks

Equity Residential *(Overweight; Price Target: \$72.00)*

Investment Thesis

EQR owns 5,850 New York City apartments, more than AvalonBay (3,608 same-store) or Clipper Realty (~3,840), and 24 of its 25 NYC buildings sit in the two zones where 485-x imposes its highest construction wages on 150+ unit projects. Developers have responded: large projects are still being filed, but REBNY says 3Q25's were mainly in Queens and the Bronx, filings at exactly 99 units have soared, and REBNY says HPD data show 485-x has yet to create a building above 99 units. Once the 421-a pipeline completes, unsubsidised tower supply in EQR's submarkets should be thin. Across the portfolio, competitive supply falls ~35% in 2026, and the rent-freeze pledge matters little to EQR's earnings. The shares, down in line with peers that own nothing in New York, give no credit for either. We rate shares Overweight.

Valuation

Our \$72 Dec-26 PT is a probability-weighted blend of a base case (50%) at a 5.6% cap rate on FY27E NOI after property management of \$2.06bn less YE26E net debt of \$8.2bn (\$75/share), a bull case (25%) at 5.2% (\$84) and a bear case (25%) at 6.75% on lower NOI (\$55). Our base cap rate equals 5.4% on FY26E NOI, against 4.75-5.00% in the private market. We rate shares Overweight.

Risks to Rating and Price Target

Downside Risks: weaker job growth in EQR's coastal markets, including technology layoffs and federal job cuts in Washington DC; heavier supply in its expansion markets; New York regulation beyond the Rent Guidelines Board, such as wider rent caps, tighter eviction rules or higher property taxes; an amendment to 485-x that restores large-building economics, or more towers like Vornado's planned ~475-unit 485-x project at 484 Eighth Avenue and the 459-unit filing at 441 West 26th Street; and higher interest rates that lift private-market cap rates and EQR's refinancing costs.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. EQR guides 2026 same-store revenue growth below 2.0% at the midpoint in its 4Q25 release (we model 2.5%), or the 1Q26 blended lease rate comes in below 1%.
2. New York same-store revenue growth falls below 2% for two consecutive quarters (4.2% in 3Q25), which would suggest that policy, not supply, is setting rents.
3. Albany amends 485-x in the 2026 session to lower or remove the 150-unit wage tiers, or 100+ unit buildings regain more than 50% of proposed units in REBNY's filings for two consecutive quarters (37% in 3Q25).
4. City or state rules extend rent limits to EQR's unregulated New York units, or a property-tax change raises its New York tax bill by more than 10%.
5. The 10-year Treasury yield rises above 4.75% (4.15% on 14 November) and private-market apartment cap rates move above 5.5%, through our 5.6% base case.

Signposts

9-10 Dec: FOMC. Late Jan/early Feb 2026: EQR 4Q25 results and 2026 guidance; REBNY 4Q25 pipeline report. 1 Jan: the mayor-elect takes office and begins appointing to the Rent Guidelines Board. Jan-1 Apr: State of the State, Executive Budget and the state budget, the likely vehicle for any 485-x change. Spring and June: RGB preliminary and final votes for leases from 1 Oct 2026. 1 Jul 2026: 485-x wage floors step up 2.5%.

Equity Residential: Summary of Financials

Income Statement - Annual	FY23A	FY24A	FY25E	FY26E	FY27E	Income Statement - Quarterly	1Q26E	2Q26E	3Q26E	4Q26E	
Rental income	2,874	2,980	3,098	3,185	3,300	Rental income	782	790	804	808	
Property and maintenance	(515)	(530)	(564)	(586)	(607)	Property operating expenses	(266)	(258)	(266)	(266)	
Real estate taxes and insurance	(412)	(432)	(453)	(470)	(487)	Net operating income	516	532	538	542	
Net operating income	1,947	2,018	2,081	2,129	2,205	Property management	(37)	(36)	(31)	(34)	
Property management	(120)	(133)	(134)	(139)	(144)	General and administrative	(19)	(19)	(15)	(14)	
General and administrative	(61)	(62)	(66)	(67)	(69)	Interest incl. amortisation	(79)	(79)	(79)	(79)	
Interest incl. amortisation	(278)	(294)	(308)	(317)	(324)	Other, net	(2)	(2)	(2)	(2)	
Other, net	(11)	(9)	(9)	(9)	(9)	Normalized FFO	379	395	410	412	
Normalized FFO	1,477	1,522	1,565	1,596	1,659	Depreciation	(263)	(246)	(260)	(261)	
Non-comparable items	(13)	(52)	(1)	-	-	Net income	116	149	150	151	
FFO	1,464	1,470	1,564	1,596	1,659	Normalized FFO per share	0.97	1.01	1.05	1.05	
Depreciation	(889)	(952)	(1,007)	(1,030)	(1,050)	EPS (diluted)	0.30	0.38	0.38	0.39	
Net gain on sales of real estate	283	547	446	-	-	DPS	0.71	0.71	0.71	0.71	
Other (NCI, preferred and other)	11	7	(4)	-	-	Shares and units (wtd, diluted)	390.9	390.9	390.9	390.9	
Net income	868	1,071	999	566	609						
EPS (diluted)	2.20	2.72	2.54	1.45	1.56	Ratio Analysis	FY23A	FY24A	FY25E	FY26E	FY27E
FFO per share	3.75	3.76	4.00	4.08	4.25	NOI margin	67.8%	67.7%	67.2%	66.8%	66.8%
Normalized FFO per share	3.78	3.89	4.00	4.08	4.25	Same-store revenue growth	5.6%	3.0%	2.8%	2.5%	3.3%
DPS	2.65	2.70	2.77	2.84	2.91	Same-store NOI growth	6.2%	3.1%	2.4%	2.0%	3.3%
Shares and units (wtd, diluted)	390.9	390.7	391.1	390.9	390.9	Revenue y/y growth	-	3.7%	4.0%	2.8%	3.6%
Balance Sheet & Cash Flow Statement	FY23A	FY24A	FY25E	FY26E	FY27E	NOI y/y growth	-	3.6%	3.1%	2.3%	3.6%
Investment in real estate (gross)	28,713	29,971	30,818	31,278	31,748	Normalized FFO/share y/y growth	-	2.9%	2.8%	2.1%	4.0%
Accumulated depreciation	(9,810)	(10,412)	(11,232)	(12,262)	(13,312)						
Investment in real estate, net	18,902	19,558	19,587	19,017	18,437	Net debt / EBITDA	4.2x	4.4x	4.4x	4.3x	4.1x
Unconsolidated entities	282	387	400	400	400	Debt / gross real estate	25.7%	27.1%	27.2%	26.6%	25.8%
Cash and restricted deposits	140	160	176	166	166	EBITDA / interest	6.3x	6.2x	6.1x	6.1x	6.2x
Other assets	710	729	840	840	840	Payout (DPS / Normalized FFO)	70.1%	69.4%	69.2%	69.6%	68.5%
Total assets	20,035	20,834	21,003	20,423	19,843						
Mortgage notes payable	1,633	1,631	1,593	1,593	1,593	P / Normalized FFO (x)	15.7x	15.3x	14.9x	14.6x	14.0x
Unsecured notes	5,348	5,947	5,958	5,870	5,766	P / FFO (x)	15.8x	15.8x	14.9x	14.6x	14.0x
Line of credit and commercial paper	409	544	846	846	846	Dividend yield	4.5%	4.5%	4.7%	4.8%	4.9%
Other liabilities	1,066	1,128	1,164	1,164	1,164	EV / EBITDA (x)	17.3x	17.1x	16.8x	16.4x	15.7x
Total liabilities	8,456	9,250	9,562	9,474	9,369	Implied cap rate	5.91%	6.10%	6.30%	6.44%	6.67%
Redeemable OP units	289	339	182	182	182	P / book value (x)	2.0x	2.0x	2.0x	2.1x	2.2x
Total equity (incl. preferred, NCI)	11,289	11,246	11,259	10,767	10,292						
Total liabilities & equity	20,035	20,834	21,003	20,423	19,843						
Net debt	7,340	8,059	8,328	8,249	8,145						
Cash flow from operating activities	1,533	1,574	1,614	1,646	1,709						
Acquisitions net of dispositions	50	(635)	(130)	-	-						
Capital expenditure	(319)	(301)	(300)	(310)	(320)						
Development and other investing	(140)	(240)	(174)	(150)	(150)						
Cash flow from investing activities	(410)	(1,176)	(603)	(460)	(470)						
Distributions to common shares	(990)	(1,019)	(1,054)	(1,081)	(1,107)						
Share repurchases	(49)	(38)	(99)	-	-						
Net borrowing and other	(81)	681	158	(115)	(132)						
Cash flow from financing activities	(1,120)	(377)	(995)	(1,196)	(1,239)						
Net change in cash and restricted deposits	3	20	16	(10)	-						

Source: Company reports, K2 Capital estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which, FY23A-FY24A as reported; FY25E combines 1Q-3Q25 actuals with our 4Q25E. Normalized FFO and FFO are available to common shares and units; per-share data use weighted diluted shares and OP units. FY26E-FY27E exclude gains on property sales, so GAAP EPS falls; dispositions equal acquisitions. The FY25E balance sheet is rolled forward from 30-Sep-25; FY25E investing flows follow from it, and net borrowing and other is the balancing item. Net debt: total debt less cash. EBITDA: NOI less property management and G&A. EV uses the current price and period-end net debt; implied cap rate uses current EV (30-Sep-25 net debt), as on page 2.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the S&P 500. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (\$)	Price Target (\$)
17-Nov-25	OW (initiation)	59.42	72.00

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 14 November 2025 unless stated. Company data are from Equity Residential's Form 10-K for 2024 (filed 13 February 2025), its Form 10-Q for 3Q25, quarterly earnings releases and supplements (3Q24-3Q25, including 2025 guidance of 28 October 2025), an operating update (2 September 2025), and management remarks on the 2Q25 and 3Q25 calls and at the BofA Global Real Estate Conference (10 September 2025), as reported. Peer data are from AvalonBay's and Clipper Realty's 3Q25 filings. Market and consensus data are from stockanalysis.com, S&P Dow Jones Indices and CBOE via Yahoo Finance, Barchart, GuruFocus, Simply Wall St, Zacks and 2nd Market Capital. New York data are from REBNY (Construction Pipeline Reports Q4 2024 to Q3 2025, 485-x fact page of 9 November 2025, Council testimony of 27 October 2025), the NYC Rent Guidelines Board (2025 Housing Supply Report, Order 57), NYC HPD (2023 Housing and Vacancy Survey, 2025 rent limits), the NYC Department of Finance via JustFix, NYU Furman Center, the NYS Comptroller, NYS HCR, Douglas Elliman/Miller Samuel, ULI/Meridian via Bisnow, MAG Partners via Bloomberg, Herrick Feinstein and HSF Kramer (485-x terms), Vital City, the NYC Independent Budget Office, and reporting by Commercial Observer, The Real Deal, City & State, Crain's, City Limits, NY1, Reuters and others. The 485-x feasibility model, the rent-freeze sensitivity and all estimates are K2 Capital calculations and are subject to change without notice.

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