



Equity Residential (EQR)

Updated February 10th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$71	5 Year CAGR Estimate:	7.3%	Market Cap:	\$27.9 B
Fair Value Price:	\$70	5 Year Growth Estimate:	4.3%	Ex-Dividend Date:	4/2/2025 ¹
% Fair Value:	102%	5 Year Valuation Multiple Estimate:	-0.4%	Dividend Payment Date:	4/17/2025 ²
Dividend Yield:	3.8%	5 Year Price Target	\$86	Years Of Dividend Growth:	5
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Equity Residential is one of the largest U.S. publicly traded owners and operators of high-quality rental apartment properties with a portfolio primarily located in urban and dense suburban communities. The trust's properties are located in affluent areas around Boston, New York, Washington, D.C., Southern California, San Francisco, Seattle, and Denver.

The Equity Residential Q4 2024 earnings call on February 4, 2025, highlighted the company's strong operational performance, with solid same-store revenue growth and record-low turnover of 42.5% for the year. The management emphasized their expectation of revenue acceleration throughout 2025, with stronger performance in the second half, driven by improving job growth, favorable supply-demand dynamics, and continued strength in resident retention. Coastal markets remain a key focus, with supply in these regions expected to decline in 2026, particularly in urban submarkets. Los Angeles remains a watchpoint due to potential regulatory challenges following the recent fires, though the company expects around 3% revenue growth in the market. Seattle and San Francisco were identified as areas with strong recovery potential, while New York and D.C. continue to perform well with high occupancy and limited new supply. Expansion markets, including Atlanta, Dallas, and Denver, face ongoing supply headwinds but are expected to stabilize and improve as the year progresses. The company reaffirmed its capital allocation strategy, targeting \$1.5 billion in acquisitions and \$1 billion in dispositions, with a continued focus on shifting towards expansion markets while maintaining a balanced mix of urban and suburban assets. Management indicated that the transaction market remains slow, but they anticipate opportunities to emerge, particularly for recently built assets under financing pressure.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/S	\$3.64	\$3.09	\$3.28	\$3.27	\$3.53	\$3.33	\$2.99	\$3.52	\$3.78	\$3.89	\$3.87	\$4.78
DPS	\$2.21	\$10.02 ³	\$2.02	\$2.16	\$2.27	\$2.15	\$2.41	\$2.50	\$2.65	\$2.70	\$2.70	\$3.22
Shares⁴	365.1	367.1	368.2	369.9	372.0	372.7	375.9	378.6	379.6	379.5	379.5	380.0

Equity residential properties are located in some of America's most affluent markets, which results in relatively robust rental collections due to the high quality of the trust's tenants. Additionally, these locations have consistently seen increasing pricing trends. We forecast FFO/share CAGR of 4.3% in the medium-term, following the strong rebound in residential occupancy and overall pricing. The trust had slashed its dividend back during the great financial crisis. In 2016, the base rate dividend was "cut" again due to the trust divesting some of its non-core assets and paying shareholders a massive dividend with the proceeds. Since then, the dividend has grown annually before suffering a slight cut in 2020 due to uncertainty surrounding COVID-19. Moving forward, we expect solid dividend per share growth to continue.

¹ Estimated dates based on past dividend dates

² Estimated dates based on past dividend dates

³ Includes \$8.00 of special dividends amid sale of non-core assets.

⁴ Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2029
P/FFO	20.6	21.7	19.8	19.3	23.8	16.8	29.5	18.1	15.8	19.1	18.3	18.0
Avg. Yld.	2.9%	14.9%	3.1%	3.4%	2.7%	3.8%	2.7%	3.9%	4.4%	3.6%	3.0%	3.7%

Due to the stable performance of Equity Residential over the past decade, its shares have traded at a consistent valuation multiple of around 20 times the underlying FFO. However, we have reduced our fair value multiple to 18 times FFO due to rising interest rates. While the trust's performance has recovered in the wake of COVID-19, the stock price remains somewhat overvalued, trading at 18.3 times its forward FFO. As a result, we expect slight valuation multiple contraction over the next half-decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

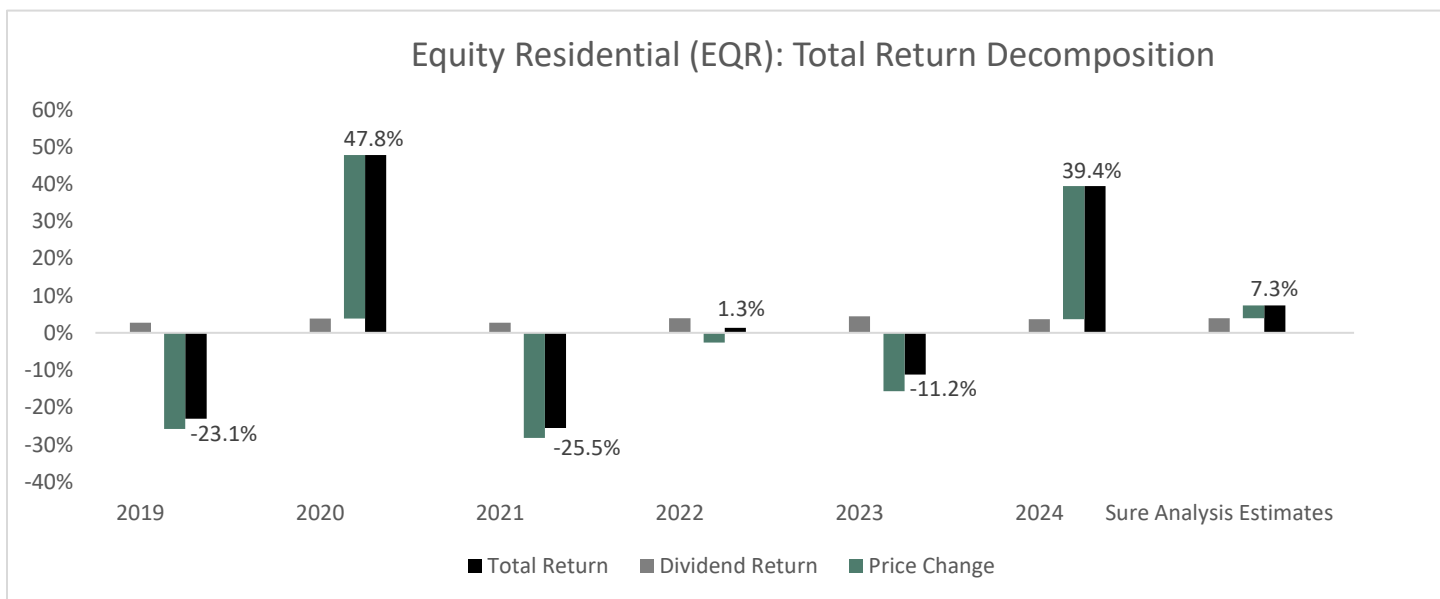
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024	2029
Payout	61%	324%	62%	66%	64%	65%	81%	71%	70%	69%	70%	67%

The business is quite defensive against recessions given that residential real estate is an essential service and moving from one residence to another is generally viewed as highly inconvenient. As a result, tenants tend to prioritize paying their rent over non-essential spending during an economic downturn. Moreover, EQR's balance sheet is quite strong, and its payout ratio is quite conservative at current levels. As a result, its dividend should be sustainable through an economic downturn and the REIT will likely be able to continue growing its dividend for the foreseeable future. Overall, the trust operates in a highly competitive market. However, management's proven expertise should partially offset this risk. A prolonged recession in which individuals see their salaries declining could easily damage the trust's performance following reduced rents, poor rental collections, and possible move-outs to cheaper areas.

Final Thoughts & Recommendation

Equity Residential has produced strong returns over the years and its multifamily real estate portfolio is high quality and well-managed. Overall, we expect annualized total returns of around 7.3% over the next half-decade, powered by its estimated growth and the 3.8% dividend yield offset by expected valuation multiple compression. As a result, we rate EQR a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,745	2,426	2,471	2,578	2,701	2,572	2,464	2,735	2,874	2,980
Gross Profit	1,840	1,620	1,645	1,698	1,792	1,655	1,515	1,753	1,827	1,886
Gross Margin	67.0%	66.8%	66.6%	65.9%	66.4%	64.4%	61.5%	64.1%	63.6%	63.3%
SG&A Exp.	65	58	52	54	53	48	57	59	61	62
D&A Exp.	769	709	748	790	843	832	851	894	902	967
Operating Profit	1,009	856	849	859	909	786	620	812	878	872
Operating Margin	36.8%	35.3%	34.4%	33.3%	33.6%	30.6%	25.2%	29.7%	30.6%	29.3%
Net Profit	870	4,292	603	658	970	914	1,333	777	835	1,036
Net Margin	31.7%	176.9%	24.4%	25.5%	35.9%	35.5%	54.1%	28.4%	29.1%	34.8%
Free Cash Flow	1,111	985	1,035	1,157	1,267	1,099	1,092	1,223	1,199	1,255
Income Tax	1	2	0	1	(2)	1	1	1	1	1

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	23,110	20,704	20,571	20,394	21,173	20,287	21,169	20,218	20,035	20,834
Cash & Equivalents	42	77	51	47	46	43	124	54	51	62
Total Liabilities	11,847	9,801	9,730	9,615	10,165	9,184	9,483	8,517	8,456	9,250
Accounts Payable	187	147	115	102	94	107	107	96	87	99
Long-Term Debt	10,921	8,987	8,957	8,818	9,037	8,044	8,341	7,426	7,390	8,122
Shareholder's Equity	10,433	10,192	10,205	10,136	10,278	10,488	10,918	11,136	11,049	11,027
LTD/E Ratio	1.04	0.88	0.87	0.87	0.88	0.76	0.76	0.66	0.67	0.74

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.8%	19.6%	2.9%	3.2%	4.7%	4.4%	6.4%	3.8%	4.2%	5.1%
Return on Equity	7.7%	38.7%	5.6%	6.1%	8.9%	8.3%	11.7%	6.6%	7.2%	8.9%
ROIC	3.9%	20.4%	3.0%	3.3%	4.9%	4.7%	6.8%	4.0%	4.4%	5.4%
Shares Out.	365.1	367.1	368.2	369.9	372.0	372.7	375.9	378.6	379.6	379.5
Revenue/Share	7.21	6.35	6.46	6.72	6.99	6.66	6.35	7.02	7.35	7.63
FCF/Share	2.92	2.58	2.71	3.02	3.28	2.85	2.81	3.14	3.07	3.21

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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