The Gang of Eight; A Look at the Multifamily Sector Yields Four Rating Changes

Summary

Since our multifamily 4Q15 wrap-up report on 2/8/16 (click here), the eight stocks have rebounded as we expected -- collectively up ~12% (excluding EQR, which has been disrupted by its special dividend), or 200bps above the REIT average. Today we affirm our positive view on the group (with spring leasing approaching), note key changes to the broader landscape (stronger oil and weaker US dollar), and make four rating changes: Raising AIV and CPT to Buy from Neutral, and lowering MAA and UDR to Neutral from Buy.

Key Points

- **The Changing Big Picture:** At the time of our 4Q15 multifamily report, chief concerns were the increased threat of a recession, very low oil prices, and the risk of a technology-related disruption. These concerns remain on the table today, but the recent rally in oil prices (WTI is up 51% from the 2/11/16 trough) and recent decline in the US dollar, could send some incrementally positive sentiment toward the multifamily business, if not a real/tangible impact. These factors may very well me be short-lived phenomena and we aren't suggesting a sea change is underway. But they do come well timed for the group from a seasonality perspective, and could have positive implications on stock performance nonetheless.

- **Revised PT Methodology:** In part to take some of the subjectivity out of the process, we are moving our price target (PT) methodology for the multifamily REITs away from cash flow multiples, and toward an NAV-based process. We also believe real estate prices and platform value will play an increasingly important role in stock performance, now with the sector in its sixth year of above trend growth. We expect investors to distinguish companies more on what they are worth from an asset value perspective, rather than future cash flow (which is largely known and visible at this stage).

- **Rating Changes:** We are making four rating changes that take all of these factors into consideration, plus other company-specific issues. First, we view AIV and CPT as cheap for what each represent -- ***raising both to Buy from Neutral*** based on a 5% NAV premium target (ESS remains our other Buy-rated multifamily REIT). Second, we cannot justify stretching our PTs further on MAA and UDR, following standout stock performance from these two top-tier REITs -- ***lowering both to Neutral from Buy*** despite both deserving a higher (10%) NAV premium, in our view.

Company	Symbol	Price (3/18)	Rating Prior	Rating Curr	PT
Apartment Investment & Management Company	AIV	$40.26	Neutral	Buy	$46.00
AvalonBay Communities, Inc.	AVB	$187.04	–	Neutral	$190.00
Camden Property Trust	CPT	$82.37	Neutral	Buy	$93.00
Equity Residential	EQR	$74.26	–	Neutral	$76.00
Essex Property Trust, Inc.	ESS	$226.07	–	Buy	$249.00
Mid-America Apartment Communities, Inc.	MAA	$101.25	Buy	Neutral	$98.00
Post Properties, Inc.	PPS	$59.72	–	Neutral	$64.00
UDR, Inc.	UDR	$37.80	Buy	Neutral	$41.00

Source: Bloomberg and Mizuho Securities USA

Richard Anderson
+1 212 205 8445
richard.anderson@us.mizuho-sc.com

Exhibit 1: Multifamily Stock Rating and Price Target Change Details

Company	Ticker	Stock Rating Prev.	Stock Rating Current	3/18/2016 Price	Price Target (PT) Prev.	Price Target (PT) New	Stock Upside to PT	Current Price 2016 AFFO Multiple	2016 AFFO Multiple at PT	Mizuho NAV Est.	Current Price Prem/Disc. to NAV	Prem/Disc. to NAV at PT	Mizuho 2016 Estimates FFO	Mizuho 2016 Estimates AFFO	Mizuho 2017 Estimates FFO	Mizuho 2017 Estimates AFFO
AIMCO	AIV	Neutral	Buy	$40.26	$36	$46	14.3%	20.5x	23.5x	$43.91	(8.3%)	4.8%	$2.28	$1.96	$2.41	$2.07
AvalonBay Comm.	AVB	Neutral	NC	$187.04	$180	$190	1.6%	23.7x	24.1x	$180.12	3.8%	5.5%	$8.38	$7.88	$8.85	$8.32
Camden Property	CPT	Neutral	Buy	$82.37	$77	$93	12.9%	19.8x	22.4x	$88.35	(6.8%)	5.3%	$4.88	$4.16	$5.00	$4.34
Equity Residential (1)	EQR	Neutral	NC	$74.26	$68	$76	2.3%	25.9x	26.5x	$72.33	2.7%	5.1%	$3.14	$2.87	$3.34	$3.07
Essex Property	ESS	Buy	NC	$226.07	$234	$249	10.1%	22.5x	24.8x	$219.39	3.0%	13.5%	$10.94	$10.06	$12.07	$11.24
Mid-America Apt.	MAA	Buy	Neutral	$101.25	$95	$98	(3.2%)	19.9x	19.3x	$88.58	14.3%	10.6%	$5.92	$5.09	$6.22	$5.43
Post Properties	PPS	Neutral	NC	$59.72	$58	$64	7.2%	22.0x	23.6x	$61.24	(2.5%)	4.5%	$3.19	$2.71	$3.31	$2.87
UDR, Inc.	UDR	Buy	Neutral	$37.80	$39	$41	8.5%	23.0x	25.0x	$36.98	2.2%	10.9%	$1.78	$1.64	$1.92	$1.78

(1) FFO estimates are "normalized" in light of the company's signifcant asset sales and related debt prepayment charges; NAV estimate adjusted for Starwood sale (and related debt reduction), that closed on January 27, 2016.
NC: No Change.

Source: SNL Financial, Mizuho Securities USA, Inc.

Price Target Methodology:
AIV: Our price target is based on a range around a 5% NAV premium multiple.
AVB: Our price target is based on a range around a 5% NAV premium multiple.
CPT: Our price target is based on a range around a 5% NAV premium multiple.
EQR: Our price target is based on a range around a 5% NAV premium multiple.
ESS: Our price target is based on a range around a 10% NAV premium multiple.
MAA: Our price target is based on a range around a 10% NAV premium multiple.
PPS: Our price target is based on a range around a 5% NAV premium multiple.
UDR: Our price target is based on a range around a 10% NAV premium multiple.

A Multifamily Refresh

At the time of our 4Q15 multifamily report about 43 days ago, the chief concerns we highlighted were the increased threat of an economic recession, low and still declining oil prices, and the risk of a technology-related disruption. Reflecting those concerns, we stated the following: *"Base-case housing in the form of renting apartments is a necessity item that we view to have natural defensive qualities. 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."* Our core thesis was that the multifamily sector exhibits defensive characteristics given its place in the commercial real estate food chain, despite the otherwise cyclical nature of the business.

While the aforementioned risks (recession, oil, tech) remain real as discussed below, multifamily stocks have rebounded to a degree even better and more quickly than we expected (Exhibit 2). On an adjusted basis (excluding EQR, where performance has been disrupted by the $8/share special dividend that was paid on March 10), the multifamily REITs have exceeded the REITs overall by 220bps over the same short timeframe – including a whopper uptick of 18.3% from MAA.

Exhibit 2: Multifamily Stock Performance

	Since 4Q15 Wrap-Up Note			2015	2016 YTD
	2/8/16 Open	3/18/16 Close	Change	Total Return	Total Return
AIV	$37.01	$40.26	8.8%	9.7%	1.5%
AVB	$166.27	$187.04	12.5%	14.0%	1.6%
CPT	$73.93	$82.37	11.4%	6.9%	7.3%
EQR	$73.59	$74.26	0.9%	13.3%	1.6%
ESS	$202.50	$226.07	11.6%	16.6%	(5.6%)
MAA	$85.56	$101.25	18.3%	25.0%	12.5%
PPS	$54.63	$59.72	9.3%	2.0%	0.9%
UDR	$35.02	$37.80	7.9%	22.0%	1.4%
Wtd Average			**8.9%***	**15.1%**	**1.7%**
RMZ	*1,040.29*	*1,139.00*	*9.5%*	*2.5%*	*4.1%*
S&P 500	*1,880.05*	*2,049.50*	*9.0%*	*1.4%*	*0.8%*

*Excluding EQR, weighted average is +11.7%.
Source: SNL Financial, Mizuho Securities USA, Inc.

Looking forward, with the spring leasing season now upon us, we continue to expect relatively strong stock performance from the group for at least the next few months, into the summer. However, we think the changing broader environment as mentioned above and discussed in more detail below, in combination with recent stock moves, requires a refresh to four ratings, as follows:

- **Upgrading to Buy from Neutral:** AIV and CPT.
- **Downgrading to Neutral from Buy:** MAA and UDR.

One of the irony of these changes is that we view the two downgrades as top echelon REITs in terms of platform value. Our PT methodology for MAA and UDR (as well as ESS, which remains a Buy) assumes a 10% NAV premium valuation, versus the 5% premium we assume for the other five multifamily REITs in our coverage universe. We provide additional comments on our PT methodology changes and company-specific observations below.

Laying the Groundwork to our Revised View

While the strong absolute performance of the REITs has been strong lately, we notice above in Exhibit 2 that the US REITs have only slightly outperformed the S&P 500 Index since our 4Q15 multifamily report, 9.5% vs. 9.0%. The relative REIT performance is up more substantially on a year-to-date basis. Therefore, in the search for incremental alpha from here, we identify two recent changes to the dialogue on the broader environment that we believe could influence REIT performance over the coming months – stronger oil prices and a weaker US dollar.

- **Oil:** As mentioned above, West Texas Intermediate (WTI) prices are up 51% since the February trough, trading at nearly $40/barrel as of Friday. In speaking with Robert Yawger, who is Director of MSUSA’s futures team in the energy patch, the prospects of a continuation of this rally are possible given refinery demand will likely start to ramp up to meet summer driving season (i.e., gasoline). And with cheap gas prices today, that could be substantial – oil prices could close in on $50 in the near-term. But post-Labor Day, refinery demand will likely start to pull back again, and continue to slow into Thanksgiving. Layer on the all-time high levels of storage that we are seeing today, any near-term rally in oil could be short-lived. According to Robert, *"Seasonality is the name of the game."*

- **The US Dollar:** According to MSUSA Chief US Economist Steve Ricchiuto, the recent weakness of the US dollar versus the international basket of currencies is a function of foreigners losing faith in the efficacy of easing monetary policies of their local central banks. Quoting one of his recent reports, *"Although (ECB and BOJ) easing policies should normally lead to a stronger dollar, that hasn't been the current case. Instead, investors assume that Europe and Japan will stay mired in deflation. Japan has tried fiscal stimulus before Abenomics, and it similarly failed. Fiscal policy success in Europe will also be very difficult. The Yen and Euro should firm against the dollar . . . This could cause a cyclical rotation in US equities, and (by extension) a modest uptick in yield on the 10-year note into the 2% to 2.25% area"* Our read-through is these counterintuitive moves in foreign exchange could temporarily come to the rescue of the US economy, although like the oil commentary above, could also be a short-lived.

As markets digest these potential changes (both of which are directionally positive for the US economy), we expect above average REIT relative stock performance for the time being. Further, we think the multifamily sector has a chance to be a disproportionate beneficiary, as both of these economy-friendly commentaries could resonate with building fundamental optimism as the multifamily business embarks on the seasonally strong period of the year. We acknowledge the possible temporary nature of both, but as is usually the case, we don't' expect the market to look much further beyond the here and now.

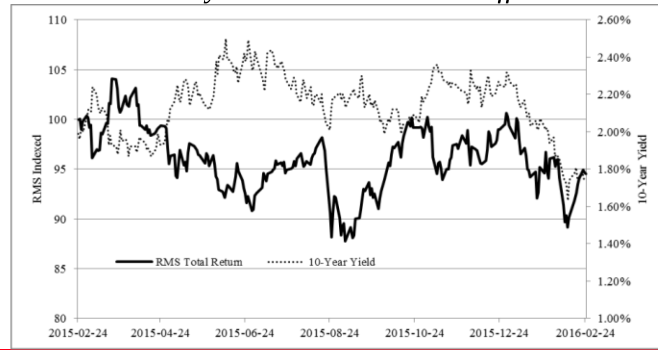
Watching Interest Rates

The offsetting risk to these observations is a potential rise in long-term yields as mentioned above, which over history has been a detriment to US REIT stock performance (particularly in the short term). However, we have noticed a decoupling of REIT stock performance and changes in the 10-year Treasury yield, as investors appear to be pivoting to a focus on *real* versus *nominal* relative interest rates (i.e., nominal rates in Japan are lower than the US, but may be higher when factoring in deflation). As we show in Exhibit 3, the negative correlation between REIT stock performance and the nominal 10-year Treasury yield was -0.81 over the past 20 years, but a statistically insignificant -0.22 over the past 12 months.

Exhibit 3: US REITs vs. 10-Year Treasury Yield

20 Year History: -.81 Correlation Coefficient

One Year History: -0.22 Correlation Coefficient



Source: SNL Financial, Mizuho Securities USA.

The bottom line is we expect the confluence of these factors to benefit the multifamily sector for the foreseeable future, which (for what it is worth) pays a relatively low dividend yield of 2.9%, versus 3.7% for the US REIT average.

Company Specific Commentary

As we mentioned earlier, our move to an NAV-based PT methodology is in part aimed at removing as many subjective variables as possible, in order to make an objective judgment on the eight stocks that make up our multifamily sector coverage. Specifically, our price targets assume a tight range around a 5% NAV premium for five REITs (AIV, AVB, CPT, EQR, PPS) and a 10% premium for three (ESS, MAA, UDR). All of our NAV models are provided below in Exhibits 4-11. We provide these underlying thoughts behind this change:

- **Value Creators:** Over the long term, we think publicly-traded management teams represent the cream of the crop within the overall US apartment business, and have the tools and expertise to create incremental value over the market value of the assets. We believe ESS, MAA and UDR have demonstrate particularly strong platform value in the current environment, although this observation can and will change based on the prevailing conditions of the underlying business environment.

- **NAV Takes Precedence over Cash Flow:** With multifamily cash flow growth pivoting to a more predictable outlook (unlikely to accelerate meaningfully from here), we think NAV will become a more distinguishing factor in the relative judgment between companies. We pay attention to both, of course, but as we are now in the sixth year of a fundamental upcycle, we believe NAV should receive a greater weighing in the analysis.

- **Company-Specific Observations:** We point out three REITs where our NAV assumptions could be up for debate. First, we estimate **EQR**'s NAV at $72.33/share, which takes into account the suburban sale to Starwood and associated debt reduction. We acknowledge that our estimate could change meaningfully when the company reports 1Q16 results. Second, our NAV estimate **ESS** of $219.39/share is below the Street consensus of ~$229/share. So while our PT methodology of a 13.5% NAV premium may appear like a stretch, our underlying estimate could be subject to refinement. And third, our NAV estimate for **PPS** is also below the Street consensus of ~$65/share. Our 5% NAV premium PT methodology is based on our $61.24/share estimate (Exhibit 10 below), which assumes a 5.6% nominal NOI cap rate. We estimate the Street average assumption is closer to 5.3%.

Raising AIV to Buy from Neutral (PT to $46 from $36)

AIV stock is just blatantly cheap in our view, first and foremost. We think the company has made one unforced error with the forward purchase of a large Bay Area development asset (announced recently). But besides that, AIV has significantly repositioned itself from an asset quality and balance sheet perspective, and doesn't appear to be getting full credit. Further, much of the historical complexity is now out of the system, with a) the affordable portfolio nearly a rounding error, and b) AIV eliminating most of the partnership interests that caused many modeling headaches over our nearly 20 years of coverage. We view the "complexity discount" as a fading factor. The modest 2016 performance and meaningful underperformance last year, appear to be alpha opportunities, in our view.

Raising CPT to Buy from Neutral (PT to $93 from $77)

CPT is the "Houston play" in the multifamily sector, with 13% of the portfolio in this challenging market – weakening oil-related demand in Houston compounds 20k units of delivery during 2016. However, we think sentiment could reverse if we are right about oil in the near-term, not to mention that the other 87% of the portfolio is looking generally strong. CPT is also a cheap stock on an NAV basis, in our view, and is guided by one of the best and most cohesive management teams in the entire REIT industry. The stock has done relatively well this year, up 7.3% on a total return basis, but remains a meaningful underperformer over a two-year look-back. With valuation a supporting consideration, we think there is more to come. The 4Q15 print and 2016 outlook registered to us as better than feared, and now we think we have a near-term catalyst brewing in the form of oil prices.

Lowering MAA to Neutral from Buy (PT to $98 from $95)

MAA stock has been on fire, including 25% total return in 2015 and another 12.5% so far in 2016. Despite our positive view of the organization, we couldn't find the rationale to continue to recommend this stock at these levels (current price suggests a 14.3% NAV premium). We note that our second-tier market thesis has been a central theme in our REIT coverage this year, and multifamily investors may be hiding in the Sunbelt. Beyond that, it would require thinking in the abstract to maintain our Buy rating, which is not an appropriate sell-side tool. We stand by our positive thesis on the company, which is detailed in this note following management meetings in early February. However, because of the strong stock performance and resulting impact on valuation, a pure analytical approach brings our rating down a notch.

Lowering UDR to Neutral from Buy (PT to $41 from $39)

Like MAA, this has been another winner for investors – producing a 22% total return during 2015. While the stock has been flattish so far this year (down a lot to start, up a lot recently), with the S&P 500 inclusion trade muddying the recent performance, we expect a pause as earnings catches up with valuation. Similar to ESS (which we upgraded in early February and remains a Buy), UDR suffers from being judged against its own past success. We believe UDR will continue to produce above average same store results, to its credit, but we think that is now the expectation. As such, we believe it will be harder for UDR to surprise investors to the upside, and our PT math simply doesn't keep us in Buy territory. The recent addition to the S&P 500 Index is a stamp of approval, and a possible dose of incremental interest in the stock as GIC#11 approaches.

A Final Comment

We note that the same GIC observation can be made for the other four multifamily REIT S&P 500 components (AIV, AVB, EQR and ESS), as well as any component REIT, since the S&P 500 is the most widely benchmarked index. As the August date approaches for the creation of the 11th sector, we will be watching alongside our MSUSA trading partner Pat Moran, for trading signals in large cap names.

As a side note on EQR, we have heard through our international channels that foreign investors were not enthused by the special dividend for tax reasons, and were inclined to be sellers in advance of the early March record date. Separately, rumblings of a possible slowdown in NYC could take some observers temporarily off guard, with a potential read-through to AVB as well. A tick down in NYC would be consistent with our thesis that EQR's suburban sale may net to a near-term negative. To the extent we are right, these issues shall pass for this bellwether multifamily REIT, but contributed to our reiterated neutral stance nonetheless.

Exhibit 4: AIV NAV Model

	4Q15
Net Operating Income	584,160
Assumed Capitalization Rate	5.80%
Private Market Value of Consolidated Properties	$10,071,724
Investment Management and 3rd Party Prop Mgmt Income	348
Assumed Capitalization Rate	20.00%
Value of Management Income	$1,740
Development Pipeline (NOI @ wtd avg stab. return)	26,930
Assumed Capitalization Rate	6.00%
Value of Development Pipeline	$448,825
Total Cash and Equivalents	142,745
Other Assets	476,988
Private Market Value of Assets	$11,142,022
Total Liabilities	$3,809,108
Development to be Funded	$83,400
Total Preferred Stock	398,417
Private Net Market Value of Assets	$6,851,097
Common Shares/Units (for NAV calc.)	156,043
Net Asset Value per Share	**$43.91**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 5: AVB NAV Model

	4Q15
Net Operating Income	$1,285,848
Capitalization Rate	4.75%
Private Market Value of Operating Properties	$27,070,484
Dev/Redev Pipeline (NOI @ wtd avg stab. return)	201,936
Assumed Capitalization Rate	4.25%
Value of Development Pipeline	$4,751,435
Property Management Fees	$4,548
Capitalization Rate	20.00%
Value of Management Income	$22,740
Unconsolidated Joint Venture NOI	$0
Capitalization Rate	5.00%
Market Value of Unconsolidated Properties	$0
Land Held for Development	$484,377
Cash and Equivalents	505,328
Mortgage notes	0
Other	483,668
Private Market Value of Assets	$33,318,033
Liabilities	$7,080,782
Perpetual Preferred Stock	0
Development Costs To Be Funded	1,230,700
JV Debt	266,535
Private Net Market Value of Assets	$24,740,016
Common Shares and Units	137,350
Net Asset Value per Share	**$180.12**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 6: CPT NAV Model

	4Q15
Net Operating Income	$468,948
Assumed Capitalization Rate	5.60%
Private Market Value of Consolidated Properties	$8,374,071
Development Pipeline (NOI @ wtd avg stab. return)	$51,450
Assumed Capitalization Rate	5.50%
Value of Development Pipeline	$935,455
Ancillary Income	$104,712
Assumed Capitalization Rate	6.00%
Value of Income	$1,745,200
Net Property Management Fees	$2,392
Assumed Capitalization Rate	20.00%
Value of Management Income	$11,960
NOI from Unconsolidated Joint Ventures	22,372
Assumed Capitalization Rate	5.60%
Market Value of Unconsolidated Properties	$399,500
Total Cash and Equivalents	16,588
Other Assets	141,360
Private Market Value of Assets	$11,624,134
Total Liabilities	$3,230,287
Preferred units, minority interest	$0
Development Costs To Be Funded	$310,100
Total Preferred Stock	-
Private Net Market Value of Assets	$8,083,747
Common Shares and OP Units Outstanding	91,502
Net Asset Value per Share	**$88.35**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 7: EQR NAV Model

	4Q15 (Adj.)
Net Operating Income (Adj. for Starwood)	$1,631,949
Assumed Capitalization Rate	4.75%
Private Market Value of Consolidated Properties	$34,356,821
Net Property Management Fees	$2,868
Assumed Capitalization Rate	15.00%
Value of Management Income	$19,120
Development Pipeline (NOI @ wtd avg stab. return)	$156,734
Assumed Capitalization Rate	4.50%
Value of Development Pipeline	$3,482,969
Ancillary Income Total	$1,864
Assumed Capitalization Rate	4.75%
Value of Management Income	$39,242
Properties Not Yet Operational	
Investments In Unconsolidated Entities	68,101
Total Cash and Equivalents	155,115
Other Assets	422,027
Private Market Value of Assets	$38,543,395
Total Liabilities (Adj. for Debt Reduction)	$9,994,190
Development Costs To Be Funded	$762,265
Total Preferred Stock	$37,280
JV Debt	$174,846
Private Net Market Value of Assets	$27,574,814
Common Shares and OP Units Outstanding	381,220
NAV per Share (Adj. for Starwood & Debt Reduction)	**$72.33**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 8: ESS NAV Model

	4Q15
Net Operating Income*	$867,287
Capitalization Rate	4.75%
Private Market Value of Operating Properties	$18,258,663
Development Pipeline (NOI @ wtd avg stab. return)	$78,456
Assumed Capitalization Rate	4.50%
Value of Development Pipeline	$1,743,467
Property Management Gross Profit	$8,400
Capitalization Rate	10.00%
Value of Management Income	$84,000
Land Held for Development	
Cash and Equivalents	123,055
Co Investment Assets, Net ESS Share	1,036,047
Other Assets	192,350
Private Market Value of Assets	21,437,582
Liabilities	$5,622,616
Preferred Stock	73,750
Development Costs To Be Funded	869,500
Private Net Market Value of Assets	$14,871,716
Common Shares and Units	67,786
Net Asset Value per Share	**$219.39**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 9: MAA NAV Model

	4Q15
Net Operating Income	$631,648
Assumed Capitalization Rate	5.90%
Private Market Value of Consolidated Properties	$10,705,898
Development Pipeline (NOI @ wtd avg stab. return)	$8,162
Assumed Capitalization Rate	5.75%
Value of Development Pipeline	$141,948
Ancillary Income	$0
Assumed Capitalization Rate	10.00%
Value of Income	$0
Total Cash and Equivalents	63,641
Other Assets	58,935
Private Market Value of Assets	$10,970,422
Total Liabilities	$3,681,708
Minority interest	165,726
Development Costs To Be Funded	74,285
Total Preferred Stock	0
Private Net Market Value of Assets	$7,048,703
Common Shares and OP Units Outstanding	79,575
Net Asset Value per Share	**$88.58**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 10: PPS NAV Model

	4Q15
Net Operating Income	$224,312
Assumed Capitalization Rate	5.60%
Private Market Value of Consolidated Properties	**$4,005,571**
Net Property Management/Other Income	$1,140
Assumed Capitalization Rate	20.00%
Value of Management Income	**$5,700**
NOI from Unconsolidated Joint Ventures	$2,560
Assumed Capitalization Rate	5.60%
Market Value of Unconsolidated Properties	**$45,714**
Development Pipeline (NOI @ wtd avg stab. return)	$29,673
Assumed Capitalization Rate	5.00%
Value of Development Pipeline	**$593,464**
Properties Not Yet Operational	
Total Cash and Equivalents	32,492
Other Assets	29,199
Private Market Value of Assets	**$4,712,141**
Total Liabilities	$1,021,672
Development to be Funded	$327,300
Total Perpetual Preferred Stock	$43,392
Private Net Market Value of Assets	$3,319,777
Common Shares and OP Units Outstanding	54,212
Net Asset Value per Share	**$61.24**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 11: UDR NAV Model

	4Q15
Annualized Net Operating Income	$687,703
Capitalization Rate	5.00%
Private Market Value of Operating Properties	$13,754,057
Development Pipeline (NOI @ wtd avg stab. return)	$25,900
Assumed Capitalization Rate (on new product)	4.75%
Value of Development Pipeline	$545,263
Property Management Fees	$3,253
Capitalization Rate	20.00%
Value of Management Income	$16,265
Properties Not Yet Operational	
Cash and Equivalents	27,540
Land	129,699
Other Assets	1,092,902
Private Market Value of Assets	$15,565,726
Liabilities	$3,816,797
Share of JV Debt	$774,584
Preferred Stock	1
Development Costs To Be Funded	$234,626
Private Net Market Value of Assets	$10,739,717
Common Shares and Units	290,422
Net Asset Value per Share	**$36.98**

Source: Company reports, Mizuho Securities USA, Inc.

Price Target Calculation and Key Risks

Apartment Investment & Management Company

Our price target is based on a range around a 5% NAV premium. 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 range around a 5% NAV premium. 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 range around a 5% NAV premium. 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 range around a 5% NAV premium. 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 range around a 10% NAV premium. 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 range around a 10% NAV premium. Should MAA's secondary markets experience further job growth deceleration, our price target may not be achieved.

Post Properties, Inc.

Our price target is based on a range around a 5% NAV premium. If supply pressures 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 range around a 10% NAV premium. Should UDR experience revenue growth deceleration to a degree greater than our expectations, our price target may not be achieved.

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.

Ownership Disclosures and Material Conflicts of Interest or Position as Officer or Director

None

Receipt of Compensation

Mizuho Securities USA Inc. and or its affiliates makes a market in the following securities: Apartment Investment & Management Company, AvalonBay Communities, Inc., Camden Property Trust, Equity Residential, Essex Property Trust, Inc., Mid-America Apartment Communities, Inc., Post Properties, Inc. and UDR, Inc.

Mizuho Securities USA Inc. and or its affiliates has received compensation for investment banking services for Equity Residential and Mid-America Apartment Communities, Inc. in the past 12 months.

Mizuho Securities USA Inc. and or its affiliates has managed or co-managed a public offering of securities for Equity Residential and Mid-America Apartment Communities, Inc. in the past 12 months.

The compensation of the research analyst writing this report, in whole or part, is based on MSUSA's annual revenue and earnings and is not directly related to any specific investment banking compensation. MSUSA's internal policies and procedures prohibit research analysts from receiving compensation from companies covered in the research reports.

Regulation Analyst Certification (AC)

I, Richard Anderson, hereby certify that the views expressed in this research report accurately reflect my personal views about any and all the subject companies. No part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Rating Definitions

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 3/18)	**% of coverage**	**IB service past 12 mo**
Buy (Buy)	51.93%	36.17%
Hold (Neutral)	46.41%	25.00%
Sell (Underperform)	1.66%	33.33%

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

For additional information: Please log on to http://www.mizuhosecurities.com/us or write to Mizuho Securities USA, 320 Park Ave, 12th FL, New York, NY 10020.

Disclaimers

This report has been prepared by Mizuho Securities USA Inc. (“MSUSA”), a subsidiary of Mizuho Securities Co., Ltd. (“MHSC”), solely for the purpose of supplying information to the clients of MSUSA and/or its affiliates to whom it is distributed. This report is not, and should not be construed as, a solicitation or offer to buy or sell any securities or related financial products.

This report has been prepared by MSUSA solely from publicly available information. The information contained herein is believed to be reliable but has not been independently verified. MSUSA makes no guarantee, representation or warranty, and MSUSA, MHSC and/or their affiliates, directors, employees or agents accept no responsibility or liability whatsoever as to the accuracy, completeness or appropriateness of such information or for any loss or damage arising from the use or further communication of this report or any part of it. Information contained herein may not be current due to, among other things, changes in the financial markets or economic environment. Opinions reflected in this report are subject to change without notice.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. The report has been prepared without regard to the individual financial circumstances, needs or objectives of persons who receive it. The securities and investments related to the securities discussed in this report may not be suitable for all investors, and the report is intended for distribution to Institutional Investors. Readers should independently evaluate particular investments and strategies, and seek the advice of a financial adviser before making any investment or entering into any transaction in relation to the securities mentioned in this report.

MSUSA has no legal responsibility to any investor who directly or indirectly receives this material. Investment decisions are to be made by and remain as the sole responsibility of the investor. Investment involves risks. The price of securities may go down as well as up, and under certain circumstances investors may sustain total loss of investment. Past performance should not be taken as an indication or guarantee of future performance. Unless otherwise attributed, forecasts of future performance represent analysts' estimates based on factors they consider relevant. Actual performance may vary. Consequently, no express or implied warranty can be made regarding future performance.

Any references in this report to Mizuho Financial Group, Inc. ("MHFG"), MHSC and/or its affiliates are based only on publicly available information. The authors of this report are prohibited from using or even obtaining any insider information. As a direct subsidiary of MHSC and indirect subsidiary of MHFG, MSUSA does not, as a matter of corporate policy, cover MHFG or MHSC for investment recommendation purposes.

MSUSA or other companies affiliated with MHFG or MHSC, together with their respective directors and officers, may have or take positions in the securities mentioned in this report, or derivatives of such securities or other securities issued by companies mentioned in this report, for their own account or the accounts of others, or enter into transactions contrary to any recommendations contained herein, and also may perform or seek to perform broking and other investment or securities related services for the companies mentioned in this report as well as other parties generally.

Restrictions on Distribution

This report is not directed to, or intended for distribution to or use by, any person who is a citizen or resident of, or entity located in, any locality, territory, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to or restricted by law or regulation. Persons or entities into whose possession this report comes should inform themselves about and observe such restrictions.

United States: Mizuho Securities USA Inc., a member of the MHSC Group, 320 Park Avenue, 12th Floor, New York, NY 10022, USA, contact number +1-212-209-9300, distributes or approves the distribution of this report in the United States and takes responsibility for it. Any transaction by a US investor resulting from the information contained in this report may be effected only through MSUSA. Interested US investors should contact their MSUSA sales representative.

United Kingdom/European Economic Area: This report is distributed or has been approved for issue and distribution in the UK by Mizuho International plc ("MHI"), Bracken House, One Friday Street, London EC4M 9JA, a member of the MHSC Group. MHI is authorized and regulated by the Financial Services Authority and is a member of the London Stock Exchange. For the avoidance of doubt this report is not intended for retail clients. This report may be distributed in other member states of the European Union.

Japan: This report is distributed in Japan by Mizuho Securities Co., Ltd. ("MHSC"), Otemachi First Square Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan. Registered Financial Instruments Firm, No. 94 (Kinsho), issued by the Director, Kanto Local Finance Bureau. MHSC is a member of the Japan Securities Dealers Association, the Japan Securities Investment Advisers Association and the Financial Futures Association of Japan, and the Type II Financial Instruments Firms Association.

Singapore: This report is distributed or has been approved for distribution in Singapore by Mizuho Securities (Singapore) Pte. Ltd. ("MHSS"), a member of the MHSC Group, which is regulated by the Monetary Authority of Singapore. Any research report produced by a foreign Mizuho entity, analyst or affiliate is distributed in Singapore only to "Institutional Investors," "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, Chap. 289 of Singapore. Any matters arising from, or in connection with this material, should be brought to the attention of MHSS.

Hong Kong: This report is being distributed in Hong Kong by Mizuho Securities Asia Limited ("MHSA"), a member of the MHSC Group, which is licensed and regulated by the Hong Kong Securities and Futures Commission.

Australia: This report is being distributed in Australia by MHSA, which is exempted from the requirement to hold an Australian financial services license under the Corporation Act 2001 ("CA") in respect of the financial services provided to the recipients. MHSA is regulated by the Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws. Distribution of this report is intended only for recipients who are "wholesale clients" within the meaning of the CA.

If you do not wish to receive our reports in the future, please contact your sales person and request to be removed from receiving this distribution.