Leverage Policy

Equity Residential

EQR's strategy focuses on maintaining the lowest long term cost of capital and access to multiple capital sources at all times.

	Range	3/31/18 Actual	12/31/18 Projected	Commentary
Liquidity	12-18 Months of Maturities & Development Spend	>18 Months	>18 Months	▪ Maintain sufficient liquidity (cash on hand plus availability on line of credit) to eliminate necessity of accessing external capital if conditions are unfavorable. Line of credit matures January 2022. ▪ Funding obligations include maturing debt, development spend and other working capital needs.
Net Debt to Normalized EBITDA (1)	5.5x – 6.5x	5.4x	5.4x	▪ Management's target Net Debt to EBITDA range reflects lower market tolerance for risk post-Financial Crisis. ▪ Expect to be at the stronger end of range (or better) later in a cycle. ▪ Position balance sheet to sustain severe (i.e. '08-'09 level) operating shocks and maintain credit metric targets.
Fixed Charge Coverage (1)	Greater than 2.5x	4.0x	4.2x	▪ Comfortably meet recurring obligations during all economic environments. ▪ "Fully Loaded" inclusive of capitalized interest, principal amortization, etc. ▪ Modest usage of floating rates (10-20%) and long weighted average debt profile
Leverage (2)	Less than 40%	34%	34%	▪ Provide adequate asset borrowing base through cycles coupled with: » Well-staggered maturity profile targeting ~10% of debt maturing in any given year » Strong unencumbered NOI (target 65% or better) at 79% of total NOI at 3/31/18 and expected to improve.

(1) Calculated on a trailing-twelve-months basis.
(2) Based on Debt to Adjusted Total Assets (net book value of assets plus accumulated depreciation) and calculated consistent with the Company's most restrictive unsecured bond covenants.