

ESSEX

PROPERTY TRUST, INC.

ESSEX ANNOUNCES SECOND QUARTER 2018 RESULTS

San Mateo, California—August 1, 2018—Essex Property Trust, Inc. (NYSE: ESS) (the “Company”) announced today its second quarter 2018 earnings results and related business activities.

Net Income and Funds from Operations (“FFO”) per diluted share for the quarter ended June 30, 2018 are detailed below. Core FFO excludes acquisition and investment related costs and certain non-routine items.

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2018	2017	Change	2018	2017	Change
<u>Per Diluted Share</u>						
Net Income	\$1.52	\$1.08	40.7%	\$2.90	\$3.80	-23.7%
Total FFO	\$3.17	\$2.97	6.7%	\$6.52	\$5.93	9.9%
Core FFO	\$3.14	\$2.97	5.7%	\$6.23	\$5.91	5.4%

Second Quarter 2018 Highlights:

- Reported Net Income per diluted share for the second quarter of 2018 of \$1.52, compared to \$1.08 in the second quarter of 2017, primarily due to gains realized on a property sale in the second quarter of 2018.
- Grew Core FFO per diluted share by 5.7% compared to the second quarter of 2017, exceeding the high-end of the guidance range.
- Achieved same-property gross revenue and net operating income (“NOI”) growth of 2.8% and 3.0%, respectively, compared to the second quarter of 2017.
- Realized a sequential quarterly increase in same-property revenue growth of 0.4%.
- Raised the midpoint of guidance for same-property revenue and NOI growth for the full-year by 15 bps each to 2.8% and 2.9%, respectively.
- Revised full-year Net Income per diluted share guidance range to \$5.15 to \$5.31. Provided Net Income guidance range for the third quarter of \$1.09 to \$1.18 per diluted share.
- Revised full-year Total FFO per diluted share guidance range to \$12.72 to \$12.88, raising the midpoint by \$0.09 per share. Provided Total FFO guidance range for the third quarter of \$3.06 to \$3.15 per diluted share.
- Increased full-year Core FFO per diluted share guidance by \$0.07 per share at the midpoint to a range of \$12.44 to \$12.62. Provided Core FFO guidance range for the third quarter of \$3.07 to \$3.17 per diluted share.

“We are pleased to report another great quarter, with results exceeding expectations across our West Coast footprint. Improving economic conditions continued to drive housing demand throughout the 2018 prime leasing season, driven by job growth and personal income growth that were well ahead of national averages. Based on the strength of our second quarter results, we are increasing our 2018 guidance with respect to same-property revenue, NOI and Core FFO growth,” commented Michael Schall, President and CEO of the Company.

SAME-PROPERTY OPERATIONS

Same-property operating results exclude any properties that are not comparable for the periods presented. The table below illustrates the percentage change in same-property gross revenues for the quarter ended June 30, 2018 compared to the quarter ended June 30, 2017, and the sequential percentage change for the quarter ended June 30, 2018 versus the quarter ended March 31, 2018, by submarket for the Company:

	<u>Q2 2018 vs.</u> <u>Q2 2017</u>	<u>Q2 2018 vs.</u> <u>Q1 2018</u>	<u>% of Total</u>
	<u>Gross</u> <u>Revenues</u>	<u>Gross</u> <u>Revenues</u>	<u>Q2 2018</u> <u>Revenues</u>
Southern California			
Los Angeles County	3.2%	0.6%	20.4%
Orange County	2.3%	-0.1%	11.2%
San Diego County	4.1%	0.9%	8.8%
Ventura County	5.3%	0.6%	4.5%
Other Southern California	0.8%	-0.9%	0.5%
Total Southern California	3.3%	0.5%	45.4%
Northern California			
Santa Clara County	1.8%	0.7%	15.6%
Alameda County	2.7%	0.2%	7.1%
San Mateo County	2.4%	0.6%	5.1%
Contra Costa County	1.7%	-0.3%	5.0%
San Francisco	0.9%	-0.1%	3.3%
Other Northern California	3.2%	-2.0%	0.2%
Total Northern California	2.0%	0.4%	36.3%
Seattle Metro	3.0%	0.1%	18.3%
Same-Property Portfolio	2.8%	0.4%	100.0%

	<u>Year-Over-Year Growth</u> <u>Q2 2018 compared to Q2 2017</u>			<u>Year-Over-Year Growth</u> <u>YTD 2018 compared to YTD 2017</u>		
	<u>Gross</u> <u>Revenues</u>	<u>Operating</u> <u>Expenses</u>	<u>NOI</u>	<u>Gross</u> <u>Revenues</u>	<u>Operating</u> <u>Expenses</u>	<u>NOI</u>
Southern California	3.3%	0.2%	4.6%	3.3%	2.0%	3.9%
Northern California	2.0%	3.3%	1.5%	2.3%	1.2%	2.7%
Seattle Metro	3.0%	4.6%	2.3%	3.7%	5.1%	3.2%
Same-Property Portfolio	2.8%	2.1%	3.0%	3.0%	2.3%	3.3%

Sequential Growth			
Q2 2018 compared to Q1 2018			
	Gross Revenues	Operating Expenses	NOI
Southern California	0.5%	-2.6%	1.7%
Northern California	0.4%	-2.8%	1.5%
Seattle Metro	0.1%	9.6%	-3.6%
Same-Property Portfolio	0.4%	-0.4%	0.6%

Financial Occupancies			
Quarter Ended			
	6/30/2018	3/31/2018	6/30/2017
Southern California	96.8%	96.9%	96.2%
Northern California	96.7%	97.4%	96.7%
Seattle Metro	96.3%	96.9%	96.2%
Same-Property Portfolio	96.7%	97.1%	96.4%

DISPOSITIONS

In June 2018, the Company sold Domain for a total contract price of \$132.0 million. The community, which is located in San Diego, CA, contains 379 apartment homes. Total gain on the sale was \$22.2 million, which has been excluded from the calculation of FFO.

OTHER INVESTMENTS

In May 2018, the Company originated a \$26.5 million preferred equity investment in a multifamily community located in Ventura, CA. As of June 30, 2018, the Company had funded \$20.4 million. The total investment has an initial preferred return of 10.25% and matures in 2023.

In June 2018, the Company received cash of \$26.5 million from the redemption of a preferred equity investment related to one property in Seattle, WA. The Company recorded \$1.6 million of income from prepayment penalties as a result of the early redemption, which has been excluded from Core FFO.

DEVELOPMENT ACTIVITY

Station Park Green – Phase I reached stabilized operations in June 2018. The community is located in San Mateo, CA and comprises 121 apartment homes. As of July 30, 2018, Station Park Green – Phase I was 99.2% leased.

LIQUIDITY AND BALANCE SHEET

Common Stock

The Company did not issue any shares of common stock through its equity distribution program in the second quarter of 2018.

The Company did not repurchase any shares of common stock in the second quarter of 2018.

Balance Sheet

In June 2018, Fitch Ratings affirmed the Company's senior unsecured debt at BBB+ and revised the rating outlook from stable to positive.

As of July 30, 2018, the Company had \$1.2 billion in undrawn capacity on its unsecured credit facilities.

Guidance

For the second quarter of 2018, the Company exceeded the midpoint of the guidance range provided in its first quarter 2018 earnings release for Core FFO by \$0.09 per share. However, \$0.03 per share of the favorable variance relates to timing differences on same-property operating expenses, which are now expected to occur in the second half of the year.

The following table provides a reconciliation of second quarter 2018 Core FFO per share to the midpoint of the guidance provided in the first quarter 2018 earnings release, which was dated May 2, 2018.

	Per Diluted Share
Projected midpoint of Core FFO per share for Q2 2018	\$ 3.05
NOI from consolidated communities	0.07
FFO from Co-Investments	0.01
Interest expense and other	0.01
Core FFO per share for Q2 2018 reported	\$ 3.14

The following table provides key changes to the 2018 full-year assumptions for Net Income, Total FFO, Core FFO per diluted share, and same-property growth. For additional details regarding the Company's 2018 assumptions, please see page S-14 of the accompanying supplemental financial information. For the third quarter of 2018, the Company has established a range for Core FFO per diluted share of \$3.07 to \$3.17.

2018 Full-Year Guidance

	Previous Range	Previous Midpoint	Revised Range	Revised Midpoint
Per Diluted Share				
Net Income	\$4.66 - \$5.00	\$4.83	\$5.15 - \$5.31	\$5.23
Total FFO	\$12.54 - \$12.88	\$12.71	\$12.72 - \$12.88	\$12.80
Core FFO	\$12.28 - \$12.64	\$12.46	\$12.44 - \$12.62	\$12.53
Same-Property Growth				
Gross Revenues	2.3% to 3.0%	2.7%	2.6% to 3.0%	2.8%
Operating Expenses	2.1% to 3.1%	2.6%	2.4% to 2.8%	2.6%
NOI	2.0% to 3.4%	2.7%	2.5% to 3.2%	2.9%

CONFERENCE CALL WITH MANAGEMENT

The Company will host an earnings conference call with management to discuss its quarterly results on Thursday, August 2, 2018 at 9 a.m. PT (12 p.m. ET), which will be broadcast live via the Internet at www.essex.com, and accessible via phone by dialing toll-free, (877) 407-0784, or toll/international, (201) 689-8560. No passcode is necessary.

A rebroadcast of the live call will be available online for 30 days and digitally for seven days. To access the replay online, go to www.essex.com and select the second quarter 2018 earnings link. To access the replay digitally, dial (844) 512-2921 using the replay pin number 13681122. If you are unable to access the information via the Company's website, please contact the Investor Relations Department at investors@essex.com or by calling (650) 655-7800.

CORPORATE PROFILE

Essex Property Trust, Inc., an S&P 500 company, is a fully integrated real estate investment trust (REIT) that acquires, develops, redevelops, and manages multifamily residential properties in selected West Coast markets. The Company currently has ownership interests in 247 apartment communities comprising approximately 60,000 apartment homes, excluding six properties in various stages of active development, one commercial building, preferred equity co-investments, and loan investments. Additional information about the Company can be found on the Company's website at www.essex.com.

This press release and accompanying supplemental financial information has been furnished to the Securities and Exchange Commission ("SEC") electronically on Form 8-K and can be accessed from the Company's website at www.essex.com. If you are unable to obtain the information via the Internet, please contact the Investor Relations Department at (650) 655-7800.

FFO RECONCILIATION

FFO, as defined by NAREIT, is generally considered by industry analysts as an appropriate measure of performance of an equity REIT. Generally, FFO adjusts the net income of equity REITs for non-cash charges such as depreciation and amortization of rental properties, impairment charges, gains on sales of real estate and extraordinary items. Management considers FFO and FFO which excludes merger, integration and acquisition costs and items that are not routine or not related to the Company's core business activities, which is referred to as "Core FFO", to be useful financial performance measures of an equity REIT because, together with net income and cash flows, FFO and Core FFO provide investors with additional bases to evaluate the operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and the ability to pay dividends.

FFO and Core FFO do not represent net income or cash flows from operations as defined by U.S. generally accepted accounting principles ("GAAP") and are not intended to indicate whether cash flows will be sufficient to fund cash needs. These measures should not be considered as an alternative to net income as an indicator of the REIT's operating performance or to cash flows as a measure of liquidity. FFO and Core FFO do not measure whether cash flow is sufficient to fund all cash needs including principal amortization, capital improvements and distributions to stockholders. FFO and Core FFO also do not represent cash flows generated from operating, investing or financing activities as defined under GAAP. Management has consistently applied the NAREIT definition of FFO to all periods presented. However, there is judgment involved and other REITs' calculation of FFO may vary from the NAREIT definition for this measure, and thus their disclosures of FFO may not be comparable to the Company's calculation.

The following table sets forth the Company's calculation of diluted FFO and Core FFO for the three and six months ended June 30, 2018 and 2017 (in thousands, except for share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Funds from Operations attributable to common stockholders and unitholders				
Net income available to common stockholders	\$ 100,440	\$ 70,759	\$ 191,358	\$ 249,723
Adjustments:				
Depreciation and amortization	119,330	117,939	238,435	233,442
Gains not included in FFO	(22,244)	(2,159)	(22,244)	(114,815)
Depreciation and amortization add back from unconsolidated co-investments	15,720	13,627	31,579	26,481
Noncontrolling interest related to Operating Partnership units	3,460	2,422	6,592	8,568
Depreciation attributable to third party ownership and other	(233)	(26)	(465)	(51)
Funds from Operations attributable to common stockholders and unitholders	\$ 216,473	\$ 202,562	\$ 445,255	\$ 403,348
FFO per share – diluted	\$ 3.17	\$ 2.97	\$ 6.52	\$ 5.93
Expensed acquisition and investment related costs	\$ 68	\$ 274	\$ 125	\$ 830
Loss (gain) on sale of marketable securities	131	(13)	(549)	(1,618)
Unrealized (gains) losses on marketable securities	(122)	-	754	-
Interest rate hedge ineffectiveness ⁽¹⁾	40	(14)	96	(20)
Co-investment promote income	-	-	(20,541)	-
Income from early redemption of preferred equity investments	(1,578)	(248)	(1,602)	(248)
Insurance reimbursements, legal settlements, and other, net	(450)	-	1,983	(25)
Core Funds from Operations attributable to common stockholders and unitholders	\$ 214,562	\$ 202,561	\$ 425,521	\$ 402,267
Core FFO per share – diluted	\$ 3.14	\$ 2.97	\$ 6.23	\$ 5.91
Weighted average number of shares outstanding diluted ⁽²⁾	68,331,709	68,145,911	68,324,230	68,058,495

- (1) Interest rate swaps are generally adjusted to fair value through other comprehensive income (loss). However, because certain of our interest rate swaps do not have a 0% LIBOR floor, while related hedged debt in these cases is subject to a 0% LIBOR floor, the portion of the change in fair value of these interest rate swaps attributable to this mismatch is recorded as noncash interest rate hedge ineffectiveness through interest expense.
- (2) Assumes conversion of all outstanding limited partnership units in Essex Portfolio, L.P. (the "Operating Partnership") into shares of the Company's common stock and excludes all DownREIT limited partnership units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

NOI AND SAME-PROPERTY NOI RECONCILIATIONS

NOI and Same-Property NOI are considered by management to be important supplemental performance measures to earnings from operations included in the Company's condensed consolidated statements of income. The presentation of same-property NOI assists with the presentation of the Company's operations prior to the allocation of depreciation and any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual communities or groups of communities. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts to overhead by acquiring real

estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. The Company defines same-property NOI as same-property revenue less same-property operating expenses, including property taxes. Please see the reconciliation of earnings from operations to NOI and same-property NOI, which in the table below is the NOI for stabilized properties consolidated by the Company for the periods presented (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings from operations	\$ 116,272	\$ 112,247	\$ 226,819	\$ 221,478
Adjustments:				
Corporate-level property management expenses	7,782	7,522	15,552	15,031
Depreciation and amortization	119,330	117,939	238,435	233,442
Management and other fees from affiliates	(2,197)	(2,296)	(4,505)	(4,532)
General and administrative	11,125	10,337	25,938	20,938
Expensed acquisition and investment related costs	68	274	125	830
NOI	252,380	246,023	502,364	487,187
Less: Non-same property NOI	(19,616)	(20,082)	(38,337)	(38,059)
Same-Property NOI	\$ 232,764	\$ 225,941	\$ 464,027	\$ 449,128

SAFE HARBOR STATEMENT UNDER THE PRIVATE LITIGATION REFORM ACT OF 1995:

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements which are not historical facts, including statements regarding the Company’s expectations, estimates, assumptions, hopes, intentions, beliefs and strategies regarding the future. Words such as “expects,” “assumes,” “anticipates,” “may,” “will,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, among other things, statements regarding the Company’s intent, beliefs or expectations with respect to the timing of completion of current development and redevelopment projects and the stabilization of such projects, the timing of lease-up and occupancy of its apartment communities, the anticipated operating performance of its apartment communities, the total projected costs of development and redevelopment projects, co-investment activities, qualification as a REIT under the Internal Revenue Code, the real estate markets in the geographies in which the Company’s properties are located and in the United States in general, the adequacy of future cash flows to meet anticipated cash needs, its financing activities and the use of proceeds from such activities, the availability of debt and equity financing, general economic conditions including the potential impacts from the economic conditions, trends affecting the Company’s financial condition or results of operations, changes to U.S. tax laws and regulations in general or specifically related to REITs or real estate, changes to laws and regulations in jurisdictions in which communities the Company owns are located, and other information that is not historical information.

While the Company’s management believes the assumptions underlying its forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company’s control, which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect

the Company's current expectations of the approximate outcomes of the matters discussed. Factors that might cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following: the Company may fail to achieve its business objectives; the actual completion of development and redevelopment projects may be subject to delays; the stabilization dates of such projects may be delayed; the Company may abandon or defer development projects for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses; the total projected costs of current development and redevelopment projects may exceed expectations; such development and redevelopment projects may not be completed; development and redevelopment projects and acquisitions may fail to meet expectations; estimates of future income from an acquired property may prove to be inaccurate; occupancy rates and rental demand may be adversely affected by competition and local economic and market conditions; there may be increased interest rates and operating costs; the Company may be unsuccessful in the management of its relationships with its co-investment partners; future cash flows may be inadequate to meet operating requirements and/or may be insufficient to provide for dividend payments in accordance with REIT requirements; there may be a downturn in general economic conditions, the real estate industry, and the markets in which the Company's communities are located; changes in laws or regulations; the terms of any refinancing may not be as favorable as the terms of existing indebtedness; and those risks, special considerations, and other factors referred to in the Company's quarterly reports on Form 10-Q, in the Company's annual report on Form 10-K for the year ended December 31, 2017, and in the Company's other filings with the SEC. All forward-looking statements are made as of the date hereof, the Company assumes no obligation to update or supplement this information for any reason, and therefore, they may not represent the Company's estimates and assumptions after the date of this press release.

DEFINITIONS AND RECONCILIATIONS

Non-GAAP financial measures and certain other capitalized terms, as used in this earnings release, are defined and further explained on pages S-17.1 through S-17.4, "Reconciliations of Non-GAAP Financial Measures and Other Terms," of the accompanying supplemental financial information. The supplemental financial information is available on the Company's website at www.essex.com.

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