

ESSEX

PROPERTY TRUST, INC.

ESSEX ANNOUNCES FIRST QUARTER 2020 RESULTS AND WITHDRAWS FULL-YEAR GUIDANCE

San Mateo, California—May 6, 2020—Essex Property Trust, Inc. (NYSE: ESS) (the “Company”) announced today its first quarter 2020 earnings results and related business activities.

Net Income, Funds from Operations (“FFO”), and Core FFO per diluted share for the quarter ended March 31, 2020 are detailed below.

	Three Months Ended		% Change
	2020	2019	
<u>Per Diluted Share</u>			
Net Income	\$4.76	\$1.81	163.0%
Total FFO	\$3.44	\$3.34	3.0%
Core FFO	\$3.48	\$3.23	7.7%

First Quarter 2020 Highlights:

- Reported Net Income per diluted share for the first quarter of 2020 of \$4.76, compared to \$1.81 in the first quarter of 2019. The increase is largely attributable to a gain on remeasurement of co-investments in the first quarter of 2020.
- Grew Core FFO per diluted share by 7.7% compared to the first quarter of 2019, exceeding the midpoint of the first quarter guidance range by \$0.07 per share.
- Achieved same-property gross revenue and net operating income (“NOI”) growth of 3.2% and 3.9%, respectively, compared to the first quarter of 2019.
- Increased the dividend by 6.5% to an annual distribution of \$8.31 per common share, our 26th consecutive annual increase.
- Committed \$106.4 million in two preferred equity investments and an investment in subordinated loans at a weighted average return of 11.2%.
- Issued \$500.0 million of 12-year senior unsecured notes due in 2032 at an interest rate per annum of 2.65% and an effective yield of 2.69%.
- Repurchased \$176.3 million in common stock at an average price per share of \$227.13 under the stock buyback program.
- As of May 4, 2020, the Company’s immediately available liquidity exceeded \$1.0 billion.

- Acquired its joint venture partner’s 45.0% interest in a land parcel and six communities representing 2,020 apartment homes, together valued at approximately \$1.0 billion on a gross basis. The Company recognized \$6.5 million of promote income related to this transaction in the first quarter.

“We are pleased with the thoughtful and caring response by the Essex team with respect to the unprecedented challenges from the COVID-19 pandemic. Early in the crisis, we acted decisively to implement protocols to protect Essex team-members, financially assist impacted residents, and maintain essential housing services. The solid start to 2020, as reflected in our first quarter financial results, is not expected to continue given the extraordinary effects of the pandemic and ongoing economic fallout. Given that it’s impossible to reasonably predict the future course of the COVID-19 virus, and thus its economic consequences such as job loss and reduced rental demand across the country, we have withdrawn our previously-provided guidance ranges for 2020. While we cannot predict the depth or the duration of the pandemic, we remain committed to our mission and believe that the defensive characteristics of apartments, the durability of the technology industries, and the Company’s strong financial condition will allow us to seek opportunity while managing through broad market disruption,” 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 March 31, 2020 compared to the quarter ended March 31, 2019, and the sequential percentage change for the quarter ended March 31, 2020 compared to the quarter ended December 31, 2019, by submarket for the Company:

	Q1 2020 vs. Q1 2019	Q1 2020 vs. Q4 2019	% of Total Q1 2020 Revenues
Southern California			
Los Angeles County	2.2%	-0.3%	19.0%
Orange County	3.1%	-0.2%	11.0%
San Diego County	3.7%	0.7%	8.2%
Ventura County	2.5%	0.6%	4.4%
Total Southern California	2.7%	0.0%	42.6%
Northern California			
Santa Clara County	3.4%	0.2%	19.0%
Alameda County	2.3%	-0.9%	6.9%
San Mateo County	3.3%	0.1%	5.1%
Contra Costa County	2.1%	-0.5%	4.8%
San Francisco	4.1%	-0.3%	3.3%
Total Northern California	3.1%	-0.1%	39.1%
Seattle Metro	4.7%	0.6%	18.3%
Same-Property Portfolio	3.2%	0.1%	100.0%

	Year-Over-Year Growth		
	Q1 2020 compared to Q1 2019		
	Gross Revenues	Operating Expenses	NOI
Southern California	2.7%	2.4%	2.9%
Northern California	3.1%	1.8%	3.5%
Seattle Metro	4.7%	-1.8%	7.6%
Same-Property Portfolio	3.2%	1.3%	3.9%

	Sequential Growth		
	Q1 2020 compared to Q4 2019		
	Gross Revenues	Operating Expenses	NOI
Southern California	0.0%	2.4%	-0.9%
Northern California	-0.1%	-0.8%	0.1%
Seattle Metro	0.6%	3.3%	-0.4%
Same-Property Portfolio	0.1%	1.4%	-0.4%

	Financial Occupancies		
	Quarter Ended		
	3/31/2020	12/31/2019	3/31/2019
Southern California	96.6%	97.0%	96.8%
Northern California	96.9%	97.2%	97.1%
Seattle Metro	96.9%	97.1%	96.9%
Same-Property Portfolio	96.8%	97.1%	96.9%

INVESTMENT ACTIVITY

Real Estate

In January 2020, the Company purchased Canada Pension Plan Investment Board's ("CPP Investments") 45.0% interest in a land parcel and six communities valued at approximately \$1.0 billion on a gross basis. The six communities totaling 2,020 apartment homes were consolidated on the Company's financials in mid-January. As a result of the acquisition, the Company reported a remeasurement gain of \$234.7 million in the first quarter of 2020, which is excluded from Total and Core FFO. The Company recognized approximately \$6.5 million of promote income in the first quarter of 2020 associated with this transaction, which is excluded from Core FFO.

Other Investments

In the first quarter of 2020, the Company originated two preferred equity investments totaling \$91.4 million and comprised of two multifamily communities located in California. The investments have a weighted average return of 11.3% with most of the proceeds expected to fund in late 2020 and early 2021.

In March 2020, the Company committed to fund an investment in subordinated loans totaling \$15.0 million as part of the development of a multifamily community located in Los Angeles, CA. The investment has an

initial preferred return of 10.5% and matures in 2023. The initial funding for this investment is expected to occur by the third quarter of 2020.

In the first quarter of 2020, the Company received cash proceeds of \$28.2 million from the full or partial redemption of a preferred equity investment and a subordinated loan investment. The Company recorded \$0.2 million of income from prepayment penalties as a result of the early redemptions, which has been excluded from Core FFO.

DEVELOPMENT ACTIVITY

The table below represents the development communities in lease-up and the current leasing status as of May 4, 2020. The Company has minimal development funding requirements and currently has no new development starts planned in 2020.

Project Name	Location	Total Apartment Homes	ESS Ownership	% Leased as of 05/04/20	Status
500 Folsom	San Francisco, CA	537	50%	53.3%	In Lease-Up
Mylo	Santa Clara, CA	476	100%	34.7%	In Lease-Up
Station Park Green – Phase III	San Mateo, CA	172	100%	36.6%	In Lease-Up
Patina at Midtown	San Jose, CA	269	50%	0.4%	Pre-leasing
Total/Average % Leased		1,454		35.4%	

LIQUIDITY AND BALANCE SHEET

Common Stock

In the first quarter of 2020, the Company repurchased 776,261 shares of its common stock totaling \$176.3 million, including commissions, at an average price of \$227.13 per share. As of May 6, 2020, the Company had \$73.7 million of purchase authority remaining under the stock repurchase plan.

The Company did not issue any shares of common stock through its equity distribution program in the first quarter of 2020.

Balance Sheet

In January 2020, the Company extended the maturity date of its \$1.2 billion unsecured line of credit facility to mature in December 2023 with one 18-month extension, exercisable at the Company's option. Pricing on the line of credit remained unchanged at LIBOR + 0.825%.

In February 2020, the Company issued \$500.0 million of 12-year senior unsecured notes due in 2032 at an interest rate per annum of 2.65% and an effective yield of 2.69%. The proceeds paid down the Company's line of credit, which had been used to fund the buyout of CPP's 45.0% interest in a land parcel and six communities, as well as to repay \$100.3 million of secured debt during the quarter with a cash rate of 5.3% and an effective rate of 4.1%.

Subsequent to quarter end, the Company obtained a \$200.0 million unsecured term loan, priced at LIBOR + 1.20% with a one-year maturity and two 12-month extension options, exercisable at the Company's option. The proceeds will be used to repay all remaining consolidated debt maturing in 2020, of which \$169.6 million was prepaid on April 30, 2020, with an effective rate of 7.1% and a cash rate of 4.3%.

As of May 4, 2020, the Company had \$885 million in undrawn capacity on its unsecured credit facilities and over \$1.0 billion in available liquidity.

Guidance

For the first quarter of 2020, the Company exceeded the midpoint of the guidance range provided in its fourth quarter 2019 earnings release for Core FFO by \$0.07 per share.

The following table provides a reconciliation of first quarter 2020 Core FFO per share to the midpoint of the guidance provided in the fourth quarter 2019 earnings release, which was dated January 29, 2020.

	Per Diluted Share
Projected midpoint of Core FFO per share for Q1 2020	\$ 3.41
NOI from consolidated communities	0.04
FFO from Co-Investments	0.01
G&A and other	0.02
Core FFO per share for Q1 2020 reported	\$ 3.48

Due to the economic disruption and inherent uncertainty of the COVID-19 pandemic, the Company is withdrawing its full-year guidance. As a result of COVID-19, the Company has provided additional disclosures on its operations for April 2020 on page S-15 along with updated 2020 supply, job, and rent growth projections in its core markets and other economic data starting on page S-16 of the supplemental financial information.

COVID-19 Response

Essex's top priorities remain the health and safety of the Company's residents and employees as well as providing the necessary resources and flexibility to assist those who need it most during this unprecedented time. Early in the crisis, the Company announced that it was halting evictions and creating payment plans for those who have been financially impacted by the pandemic, including our commercial tenants. The Company also began offering lease renewals with no rent increases to all residents. For employees, the Company has provided additional paid leave and instituted numerous policies to maintain a safe work environment. Despite the ongoing challenges of the pandemic, the Essex team is working hard to ensure that all of our stakeholders are safe and supported.

CONFERENCE CALL WITH MANAGEMENT

The Company will host an earnings conference call with management to discuss its quarterly results on Thursday, May 7, 2020 at 10 a.m. PT (1 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 7 days. To access the replay online, go to www.essex.com and select the first quarter 2020 earnings link. To access the replay, dial (844) 512-2921 using the replay pin number 13700927. 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. Essex currently has ownership interests in 250 apartment communities comprising approximately 60,000 apartment homes with an additional 6 properties in various stages of active development. 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 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 Web, please contact the Investor Relations Department at (650) 655-7800.

FFO RECONCILIATION

FFO, as defined by the National Association of Real Estate Investment Trusts ("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 non-core items, which is referred to as "Core FFO," to be useful supplemental operating 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 to pay dividends. By excluding gains or losses related to sales of depreciated operating properties and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a real estate company between periods or as compared to different companies. By further adjusting for items that are not considered part of the Company's core business operations, Core FFO allows investors to compare the core operating performance of the Company to its performance in prior reporting periods and to the operating performance of other real estate companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company's actual operating results. 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 alternatives 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 months ended March 31, 2020 and 2019 (in thousands, except for share and per share amounts):

	Three Months Ended March 31,	
	2020	2019
Funds from Operations attributable to common stockholders and unitholders		
Net income available to common stockholders	\$ 315,006	\$ 118,858
Adjustments:		
Depreciation and amortization	131,559	120,568
Gains not included in FFO	(234,694)	(31,535)
Depreciation and amortization from unconsolidated co-investments	12,544	15,190
Noncontrolling interest related to Operating Partnership units	10,986	4,171
Depreciation attributable to third party ownership and other	(134)	(230)
Funds from Operations attributable to common stockholders and unitholders	\$ 235,267	\$ 227,022
FFO per share – diluted	\$ 3.44	\$ 3.34
Expensed acquisition and investment related costs	\$ 87	\$ 32
Loss on sale of marketable securities	13	58
Unrealized (gains) losses on marketable securities	8,696	(4,510)
Provision for credit losses	(50)	-
Equity (income) loss from non-core co-investment ⁽¹⁾	110	(314)
Interest rate hedge ineffectiveness ⁽²⁾	-	181
Gain on early retirement of debt, net	(321)	(1,336)
Co-investment promote income	(6,455)	(809)
Income from early redemption of preferred equity investments	(210)	(100)
General and administrative and other, net	820	-
Insurance reimbursements, legal settlements, and other, net	43	(210)
Core Funds from Operations attributable to common stockholders and unitholders	\$ 238,000	\$ 220,014
Core FFO per share – diluted	\$ 3.48	\$ 3.23
Weighted average number of shares outstanding diluted ⁽³⁾	68,359,698	68,048,908

(1) Represents the Company's share of co-investment income from Real Estate Technology Ventures, L.P.

(2) On January 1, 2019, the Company adopted ASU No. 2017-12 "Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities," which resulted in a cumulative effect adjustment of approximately \$181,000 from interest expense to accumulated other comprehensive income. As a result of the adoption of this standard, the Company recognizes qualifying hedge ineffectiveness through accumulated other comprehensive income as opposed to current earnings.

(3) 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.

NET OPERATING INCOME (“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 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 revenues 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 March 31,	
	2020	2019
Earnings from operations	\$ 130,837	\$ 115,695
Adjustments:		
Corporate-level property management expenses	8,759	8,429
Depreciation and amortization	131,559	120,568
Management and other fees from affiliates	(2,617)	(2,335)
General and administrative	13,982	13,459
Expensed acquisition and investment related costs	87	32
NOI	282,607	255,848
Less: Non-same property NOI	(30,842)	(13,638)
Same-Property NOI	\$ 251,765	\$ 242,210

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,” “projects,” “believes,” “seeks,” “future,” “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 expectations related to the impact of the COVID-19 pandemic on the Company’s business, financial condition and results of operations and the impact of any measures taken to mitigate the impact of the pandemic, 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 of 1986, as amended, 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 such economic conditions, including as a result of the COVID-19 pandemic, 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 impact of the COVID-19 pandemic, which remains inherently uncertain as the situation is unprecedented and continuously evolving, and other potential future outbreaks of infectious diseases or other health concerns, and measures taken to limit their impact, could adversely affect the Company's business and its tenants, and cause a significant downturn in general economic conditions, the real estate industry, and the markets in which the Company's communities are located; 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 or redevelopment 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; changes in laws or regulations; the terms of any refinancing may not be as favorable as the terms of existing indebtedness; unexpected difficulties in leasing of development projects; volatility in financial and securities market; Company's failure to successfully operate acquired properties; unforeseen consequences from cyber-intrusion; the Company's inability to maintain our investment grade credit rating with the rating agencies; government approvals, actions and initiatives, including the need for compliance with environmental requirements; and those further risks, special considerations, and other factors referred to in the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and other reports that the Company files with the SEC from time to time. Additionally, the risks, uncertainties and other factors set forth above or otherwise referred to in the reports that the Company has filed with the SEC may be further amplified by the global impact of the COVID-19 pandemic. 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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