

Equity Residential - Building the Operating Model Before the Merger

Internal ID: S&F-STR-220

Topic: Mergers & Acquisitions, Corporate Strategy, Operations Strategy

Industry: Multi-Family Residential REITs

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 3 August 2026

Decision scope: First 18 months of a proposed EQR-AvalonBay operating model; the 18-month horizon is a teaching assumption, not a company deadline.

Case convention: The planning assignment below is hypothetical. Public disclosures are historical. The companies had not merged at the cutoff; no private discussions or actual integration workstreams are represented.

The decision

On July 30, Equity Residential and AvalonBay Communities announced that the company they planned to create would be called Vivmark Residential. The announcement advanced the public identity of a deal that remained pending: each company still needed shareholder approval and other closing conditions had to be met. Until completion, EQR and AvalonBay remained separate and independent. [S1], “Vivmark Residential” announcement.

The proposed combination was an all-stock merger of equals. Under the announced terms, each eligible AvalonBay share would convert into 2.793 EQR shares. The companies estimated that AvalonBay shareholders would hold about 51.2% and EQR shareholders about 48.8% of the combined company, using shares outstanding on March 31. The proposed board would have seven directors from each company. EQR lead independent trustee Steve Sterrett would be chairman; AvalonBay CEO Benjamin Schall would become president and CEO. EQR CEO Mark Parrell was expected to retire at closing. The combined company would be based in both Arlington, Virginia, and Chicago. [S2], transaction overview and leadership.

The companies said the merger could generate \$175 million in gross operating synergies and \$125 million in annual net run-rate synergies after real-estate-tax reassessments. They described ways to scale technology and centralized services while retaining locally based teams. They also pointed to a broader development platform, customer data, combined cash flow and capital-market flexibility. The estimates depended on the companies’ assumptions and final accounting; no detailed workstream breakdown or implementation budget was publicly disclosed. [S2], transaction highlights and strategic rationale.

Imagine you are part of a hypothetical planning workshop for the leaders-designate on August 3, 2026. Your assignment is to recommend an operating model for the first 18 months after closing. The 18 months is a classroom planning horizon; the companies had announced annual run-rate synergies but no realization deadline. Your plan must specify what to integrate, what to keep local, how to sequence the work, and which decision gates should authorize further integration. Do not assume that the merger will close.

Would you favor rapid absorption of overlapping functions, a staged integration that combines selected platforms while preserving local operating authority, or an autonomy-first approach that delays most integration? What evidence would justify your choice?

Two apartment platforms

Both companies owned, developed and managed apartment communities across major metropolitan areas. EQR described its portfolio as concentrated in coastal markets, with targeted positions in Atlanta, Dallas/Austin and Denver. AvalonBay listed Boston, New York/New Jersey, the Mid-Atlantic, Seattle, Northern and Southern California, and expansion regions that included Raleigh-Durham, Charlotte, Southeast Florida, Dallas/Austin and Denver. [S1], company profiles.

As of June 30, EQR reported 312 properties and 85,211 apartment units. AvalonBay reported ownership interests in 322 communities containing 99,072 apartment homes, including communities under development and redevelopment. The company releases use different portfolio labels and scopes; the companies described the planned combined portfolio as more than 180,000 homes. [S1], company profiles; [S3], company profile and Q2 release.

The merger announcement described each firm as having a long record of property operations and development. The public rationale was not simply cost removal. It included scaling technology and centralized services, using regional teams, improving resident experience, applying customer insight to decisions, supporting a larger development platform and directing capital to the strongest risk-adjusted returns. These are management's stated aims, not evidence that a specific practice is transferable or that a specific cost can be eliminated. [S2], strategic rationale.

Exhibit 1. Proposed transaction at the cutoff

Item	Announced terms / status
Structure	All-stock merger of equals
Exchange ratio	2.793 EQR shares for each eligible AvalonBay share
Estimated ownership	51.2% AvalonBay shareholders; 48.8% EQR shareholders
Proposed board	7 EQR trustees and 7 AvalonBay directors
Proposed chair / CEO	Steve Sterrett / Benjamin Schall
EQR CEO	Mark Parrell expected to retire at closing
Headquarters	Arlington, Virginia, and Chicago
Planned name	Vivmark Residential, announced July 30
Conditions	Shareholder approvals and customary closing conditions pending

Source: [S1]-[S2]. Ownership estimate is based on share counts as of March 31, 2026. The companies remained separate at the case cutoff.

The synergy promise and what remains unknown

Exhibit 2. Publicly announced synergy figures

Measure	Amount	What the companies said
Gross operating synergies	\$175 million	Expected from the combined operating platform
Net annual run-rate synergies	\$125 million	After the impact of real-estate-tax reassessments
Difference	\$50 million	Arithmetic difference between the disclosed gross and net estimates

Source: [S2], transaction highlights. The \$50 million difference is calculated from company-reported amounts. These are projected savings, not realized results. The public announcement does not provide the underlying workstream splits, baseline costs, transition spending, realization curve, or detailed resident and employee impacts.

The companies also cited about \$2 billion of combined annual cash flow and \$4.4 billion invested in 10,800 apartments under construction. The transaction announcement said scale could improve access to capital and support development, acquisitions and other investment.

The announcement did not provide a matched project list, a combined return forecast, or evidence that the cost of capital would fall. [S2], transaction highlights.

The proposed annualized starting dividend was \$2.81 a share, equal to EQR's then-current dividend per share and higher than AvalonBay's then-current dividend yield. The announced transaction was expected to be accretive to both companies based on the midpoint of their 2026 guidance on a full run-rate basis, subject to final accounting adjustments. [S2], transaction highlights and footnote. These statements do not resolve how quickly to integrate, which functions to combine or what costs the transition will require.

Operating evidence from EQR

EQR's latest results were available on July 22. The Q2 release showed positive same-store NOI growth alongside faster expense growth and slightly lower occupancy. The company raised its full-year same-store revenue and NOI guidance midpoint, but explicitly described the guidance as what it would expect if it operated as a standalone company for all of 2026. It withdrew per-share FFO guidance because of the pending merger. [S3], "Recent Highlights" and "Full Year 2026 Guidance."

Exhibit 3. EQR standalone same-store results

Measure	Q2 2026 vs. Q2 2025
Same-store revenue change	+1.9%
Same-store expense change	+3.0%
Same-store NOI change	+1.4%
Physical occupancy	96.2% vs. 96.6%
Revised 2026 revenue guidance	+2.1% to +2.7%
Revised 2026 NOI guidance	+1.5% to +2.1%
Revised 2026 occupancy guidance	96.3%

Source: [S3], "Same Store Results" and "Full Year 2026 Guidance." The company reported that guidance midpoint increased 0.2 percentage points for revenue and 0.3 points for NOI. Same-store coverage and definitions are company-specific. Guidance is standalone, not a combined-company forecast.

The same-store market table showed different results across EQR's regions. San Francisco and New York contributed sizable shares of reported residential NOI and had positive Q2 NOI growth; other markets were weaker.

Exhibit 4. Selected EQR market results

Market	Share of Q2 actual residential NOI	Q2 NOI change year over year
San Francisco	17.9%	+6.5%
New York	14.3%	+4.3%
Los Angeles	16.0%	+0.6%
Denver	3.5%	−7.7%
Atlanta	3.1%	+0.9%
Dallas/Austin	2.2%	−1.8%

Source: [S3], “Second Quarter 2026 vs. Second Quarter 2025 Same Store Residential Results/Statistics by Market.” Percent of NOI and NOI change are reported values. Market results describe EQR’s existing same-store properties; they do not measure the performance of a proposed combined platform or explain why markets differed.

EQR said Q2 revenue improvement was primarily driven by San Francisco momentum and better net bad debt across the portfolio. The release also reported market-level average rent, occupancy, turnover and revenue/expense changes. It did not provide a matched AvalonBay market comparison. The EQR earnings call was canceled because of the pending merger; the company provided an investor presentation instead. [S3], “Recent Highlights”; [S4], Q2 earnings-release-date notice.

A design choice under incomplete information

The merger announcement emphasized both shared scale and locally based professional teams. The leaders-designate must decide how to turn that broad statement into an operating system. Which decisions belong in a common platform? How much authority should remain with local and regional operators? What evidence should be required before combining systems, changing resident-facing processes or eliminating duplicated roles?

Three approaches are available for debate:

- **Rapid absorption:** combine overlapping corporate and operating functions quickly to pursue savings and uniform systems.
- **Staged integration:** combine selected shared services, data and technology in sequenced waves while preserving local property and regional authority until results support further changes.
- **Autonomy first:** maintain most separate systems and operating practices initially, integrating only essential governance and services while the new company learns how the platforms perform.

These are author-created alternatives, not plans announced by either company. You may propose a hybrid, but identify its sequence and decision rights.

Assignment

Prepare a two-page recommendation to the leaders-designate. Select an integration approach for the hypothetical first 18 months after closing and address:

1. Which functions, data or services should be combined first, and which decisions should remain local or regional?
2. What operating outcomes should management monitor alongside savings?
3. What evidence or threshold should trigger the next integration wave, a pause or a reversal?
4. How should the board and executive team resolve trade-offs between cost, execution speed, employee retention and resident experience?

Use only information available by August 3, 2026. Distinguish announced estimates from results. Do not assume a detailed workstream plan, implementation cost or merger outcome that the companies had not disclosed.

Discussion questions

1. What is the strongest strategic logic for this merger beyond increasing the size of the portfolio?
2. Which of the three integration approaches best fits a business that combines centralized platforms with local property operations? What is the strongest objection to your choice?
3. How should management test the \$175 million gross and \$125 million net annual run-rate synergy claims when no workstream bridge is public?
4. Which EQR operating measures should be protected during integration, and what do the market differences in Exhibit 4 imply for decision rights?
5. What would you need to know before expanding the integration scope? Which information can be learned after closing, and which must be resolved before then?

Sources and conventions

S1. Equity Residential and AvalonBay, “[Vivmark Residential](#)” planned-name announcement, July 30, 2026; company profiles and transaction status.

S2. Equity Residential and AvalonBay, [merger announcement](#), [Form 8-K Exhibit 99.1](#), and [transaction overview](#), [Exhibit 99.2](#), May 21, 2026; transaction highlights, strategic rationale, leadership and governance, and transaction details.

S3. Equity Residential, [Second Quarter 2026 Results](#), July 22, 2026; “Recent Highlights,” same-store data, guidance and market table.

S4. Equity Residential, [Second Quarter 2026 Earnings Release Date](#), July 8, 2026; canceled conference call and planned investor presentation.

All amounts are nominal U.S. dollars. The companies’ expected synergies and accretion are forward-looking estimates. No post-cutoff vote, closing or operating outcome is included.