ERP OPERATING LTD PARTNERSHIP
Form 10-Q
May 06, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 2015

OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-12252 (Equity Residential)
Commission File Number: 0-24920 (ERP Operating Limited Partnership)

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Maryland (Equity Residential)	13-3675988 (Equity Residential)
Illinois (ERP Operating Limited Partnership)	36-3894853 (ERP Operating Limited Partnership)
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Two North Riverside Plaza, Chicago, Illinois 60606	(312) 474-1300
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Equity Residential Yes x No ¨ ERP Operating Limited Partnership Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Equity Residential Yes x No ¨ ERP Operating Limited Partnership Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Equity Residential:
Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
ERP Operating Limited Partnership:	
Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Equity Residential Yes ¨ No x ERP Operating Limited Partnership Yes ¨ No x
The number of EQR Common Shares of Beneficial Interest, $0.01 par value, outstanding on April 30, 2015 was 363,988,765.

Table of Contents

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2015 of Equity Residential and ERP Operating Limited Partnership. Unless stated otherwise or the context otherwise requires, references to “EQR” mean Equity Residential, a Maryland real estate investment trust (“REIT”), and references to “ERPOP” mean ERP Operating Limited Partnership, an Illinois limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the “Operating Partnership” mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. The following chart illustrates the Company's and the Operating Partnership's corporate structure:

EQR is the general partner of, and as of March 31, 2015 owned an approximate 96.2% ownership interest in, ERPOP. The remaining 3.8% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management.

The Company is structured as an umbrella partnership REIT (“UPREIT”) and EQR contributes all net proceeds from its various equity offerings to ERPOP. In return for those contributions, EQR receives a number of OP Units (see definition below) in ERPOP equal to the number of Common Shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in ERPOP, which is one of the reasons why the Company is structured in the manner shown above. Based on the terms of ERPOP's partnership agreement, OP Units can be exchanged with Common Shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of ERPOP issued to EQR and the Common Shares.

The Company believes that combining the reports on Form 10-Q of EQR and ERPOP into this single report provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Company and the Operating Partnership as one business. The management of EQR consists of the same members as the management of ERPOP.

The Company believes it is important to understand the few differences between EQR and ERPOP in the context of how EQR and ERPOP operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR's primary function is acting as the general partner of ERPOP. EQR also issues equity from time to time and guarantees certain debt of ERPOP, as disclosed in this report. EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by EQR, which are contributed to

Table of Contents

the capital of ERPOP in exchange for additional limited partnership interests in ERPOP ("OP Units") (on a one-for-one Common Share per OP Unit basis), the Operating Partnership generates all remaining capital required by the Company's business. These sources include the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its revolving credit facility and/or commercial paper program, the issuance of secured and unsecured debt and equity securities and proceeds received from disposition of certain properties and joint ventures.

Shareholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partners of the Operating Partnership are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements. The noncontrolling interests in the Operating Partnership's financial statements include the interests of unaffiliated partners in various consolidated partnerships and development joint venture partners. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and limited partner OP Unit holders of the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity issued at the Company and Operating Partnership levels.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity's debt, noncontrolling interests and shareholders' equity or partners' capital, as applicable; and a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company is one business and the Company operates that business through the Operating Partnership.

As general partner with control of ERPOP, EQR consolidates ERPOP for financial reporting purposes, and EQR essentially has no assets or liabilities other than its investment in ERPOP. Therefore, the assets and liabilities of the Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

Table of Contents

TABLE OF CONTENTS

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands except for share amounts)
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Investment in real estate		
Land	$6,357,580	$6,295,404
Depreciable property	20,024,497	19,851,504
Projects under development	1,269,784	1,343,919
Land held for development	143,997	184,556
Investment in real estate	27,795,858	27,675,383
Accumulated depreciation	(5,600,485)	(5,432,805)
Investment in real estate, net	22,195,373	22,242,578
Cash and cash equivalents	49,418	40,080
Investments in unconsolidated entities	89,284	105,434
Deposits – restricted	203,800	72,303
Escrow deposits – mortgage	50,659	48,085
Deferred financing costs, net	55,791	58,380
Other assets	384,723	383,754
Total assets	$23,029,048	$22,950,614
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	$4,957,876	$5,086,515
Notes, net	5,430,806	5,425,346
Line of credit and commercial paper	470,826	333,000
Accounts payable and accrued expenses	202,110	153,590
Accrued interest payable	84,670	89,540
Other liabilities	383,057	389,915
Security deposits	75,294	75,633
Distributions payable	208,954	188,566
Total liabilities	11,813,593	11,742,105
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	541,866	500,733
Equity:		
Shareholders’ equity:		
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized; 803,600 shares issued and outstanding as of March 31, 2015 and 1,000,000 shares issued and outstanding as of December 31, 2014	40,180	50,000
Common Shares of beneficial interest, $0.01 par value; 1,000,000,000 shares authorized; 363,968,420 shares issued and outstanding as of March 31, 2015 and 362,855,454 shares issued and outstanding as of December 31, 2014	3,640	3,629
Paid in capital	8,539,115	8,536,340

Retained earnings	1,928,449	1,950,639
Accumulated other comprehensive (loss)	(180,022)	(172,152)
Total shareholders’ equity	10,331,362	10,368,456
Noncontrolling Interests:		
Operating Partnership	219,566	214,411
Partially Owned Properties	122,661	124,909
Total Noncontrolling Interests	342,227	339,320
Total equity	10,673,589	10,707,776
Total liabilities and equity	$23,029,048	$22,950,614

See accompanying notes

2

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands except per share data)
(Unaudited)

	Quarter Ended March 31, 2015	2014
REVENUES		
Rental income	$664,606	$630,725
Fee and asset management	1,765	2,717
Total revenues	666,371	633,442
EXPENSES		
Property and maintenance	124,560	125,566
Real estate taxes and insurance	86,432	82,094
Property management	21,444	22,118
Fee and asset management	1,321	1,662
Depreciation	194,521	185,167
General and administrative	19,922	17,576
Total expenses	448,200	434,183
Operating income	218,171	199,259
Interest and other income	120	605
Other expenses	70	(664)
Interest:		
Expense incurred, net	(108,622)	(113,049)
Amortization of deferred financing costs	(2,589)	(2,792)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	107,150	83,359
Income and other tax (expense) benefit	(43)	(240)
Income (loss) from investments in unconsolidated entities	2,963	(1,409)
Net gain on sales of real estate properties	79,951	—
Net (loss) on sales of land parcels	(1)	(30)
Income from continuing operations	190,020	81,680
Discontinued operations, net	204	1,052
Net income	190,224	82,732
Net (income) attributable to Noncontrolling Interests:		
Operating Partnership	(7,059)	(3,093)
Partially Owned Properties	(643)	(504)
Net income attributable to controlling interests	182,522	79,135
Preferred distributions	(891)	(1,036)
Premium on redemption of Preferred Shares	(2,789)	—
Net income available to Common Shares	$178,842	$78,099
Earnings per share – basic:		
Income from continuing operations available to Common Shares	$0.49	$0.21
Net income available to Common Shares	$0.49	$0.22

Weighted average Common Shares outstanding	363,098	360,470
Earnings per share – diluted:		
Income from continuing operations available to Common Shares	$0.49	$0.21
Net income available to Common Shares	$0.49	$0.22
Weighted average Common Shares outstanding	380,327	376,384
Distributions declared per Common Share outstanding	$0.5525	$0.50

See accompanying notes

3

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)
(Amounts in thousands except per share data)
(Unaudited)

	Quarter Ended March 31,	
	2015	2014
Comprehensive income:		
Net income	$190,224	$82,732
Other comprehensive (loss):		
Other comprehensive (loss) income – derivative instruments:		
Unrealized holding (losses) arising during the period	(11,788)	(11,952)
Losses reclassified into earnings from other comprehensive income	4,338	4,129
Other comprehensive (loss) income – foreign currency:		
Currency translation adjustments arising during the period	(420)	91
Other comprehensive (loss)	(7,870)	(7,732)
Comprehensive income	182,354	75,000
Comprehensive (income) attributable to Noncontrolling Interests	(7,402)	(3,302)
Comprehensive income attributable to controlling interests	$174,952	$71,698

See accompanying notes
4

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$190,224	$82,732
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	194,521	185,167
Amortization of deferred financing costs	2,589	2,792
Amortization of above/below market leases	846	829
Amortization of discounts and premiums on debt	(3,751)	(2,938)
Amortization of deferred settlements on derivative instruments	4,205	3,996
Write-off of pursuit costs	493	452
(Income) loss from investments in unconsolidated entities	(2,963)	1,409
Distributions from unconsolidated entities – return on capital	516	914
Net (gain) on sale of investment securities	—	(21)
Net (gain) on sales of real estate properties	(79,951)	—
Net loss on sales of land parcels	1	30
Net (gain) on sales of discontinued operations	—	(71)
Unrealized loss (gain) on derivative instruments	24	(3)
Compensation paid with Company Common Shares	13,610	12,981
Changes in assets and liabilities:		
Decrease (increase) in deposits – restricted	290	(418)
(Increase) decrease in mortgage deposits	(456)	375
(Increase) decrease in other assets	(4,237)	18,613
Increase in accounts payable and accrued expenses	45,450	55,263
(Decrease) in accrued interest payable	(4,870)	(169)
(Decrease) in other liabilities	(8,307)	(26,194)
(Decrease) increase in security deposits	(339)	1,143
Net cash provided by operating activities	347,895	336,882
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(6,720)	(148,535)
Investment in real estate – development/other	(146,194)	(122,340)
Capital expenditures to real estate	(38,170)	(32,191)
Non-real estate capital additions	(469)	(159)
Interest capitalized for real estate and unconsolidated entities under development	(15,313)	(12,792)
Proceeds from disposition of real estate, net	142,931	—
Investments in unconsolidated entities	(2,410)	(6,254)
Distributions from unconsolidated entities – return of capital	18,969	7,680
Proceeds from sale of investment securities	—	21
(Increase) decrease in deposits on real estate acquisitions and investments, net	(131,787)	12,904
(Increase) in mortgage deposits	(59)	(91)
Net cash (used for) investing activities	(179,222)	(301,757)

See accompanying notes

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	$—	$(60)
Mortgage deposits	(2,059)	(1,643)
Mortgage notes payable:		
Lump sum payoffs	(121,326)	—
Scheduled principal repayments	(2,746)	(3,034)
Line of credit and commercial paper:		
Line of credit proceeds	1,997,000	1,751,000
Line of credit repayments	(2,200,000)	(1,568,000)
Commercial paper proceeds	1,155,228	—
Commercial paper repayments	(814,600)	—
(Payments on) settlement of derivative instruments	(25)	—
Proceeds from Employee Share Purchase Plan (ESPP)	1,927	1,741
Proceeds from exercise of options	32,213	15,785
Common Shares repurchased and retired	—	(1,777)
Redemption of Preferred Shares	(9,820)	—
Premium on redemption of Preferred Shares	(2,789)	—
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(2,501)
Contributions – Noncontrolling Interests – Partially Owned Properties	—	5,684
Contributions – Noncontrolling Interests – Operating Partnership	1	3
Distributions:		
Common Shares	(181,408)	(234,282)
Preferred Shares	(891)	(1,036)
Noncontrolling Interests – Operating Partnership	(7,149)	(9,217)
Noncontrolling Interests – Partially Owned Properties	(2,891)	(4,113)
Net cash (used for) financing activities	(159,335)	(51,450)
Net increase (decrease) in cash and cash equivalents	9,338	(16,325)
Cash and cash equivalents, beginning of period	40,080	53,534
Cash and cash equivalents, end of period	$49,418	$37,209

See accompanying notes

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31,	
	2015	2014
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$113,113	$112,152
Net cash paid for income and other taxes	$718	$596
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(4,567)	$(3,506)
Notes, net	$618	$568
Line of credit and commercial paper	$198	$—
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(133)	$(133)
Accumulated other comprehensive income	$4,338	$4,129
(Income) loss from investments in unconsolidated entities:		
Investments in unconsolidated entities	$(3,625)	$472
Other liabilities	$662	$937
Distributions from unconsolidated entities – return on capital:		
Investments in unconsolidated entities	$516	$862
Other liabilities	$—	$52
Unrealized loss (gain) on derivative instruments:		
Other assets	$(4,963)	$7,279
Notes, net	$4,842	$—
Other liabilities	$11,933	$4,670
Accumulated other comprehensive income	$(11,788)	$(11,952)
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(15,313)	$(12,774)
Investments in unconsolidated entities	$—	$(18)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	$(130)	$(1,454)
Other liabilities	$(2,280)	$(4,800)
Other:		
Foreign currency translation adjustments	$420	$(91)

See accompanying notes
7

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015
SHAREHOLDERS' EQUITY	
PREFERRED SHARES	
Balance, beginning of year	$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	(9,820)
Balance, end of period	$40,180
COMMON SHARES, $0.01 PAR VALUE	
Balance, beginning of year	$3,629
Conversion of OP Units into Common Shares	1
Exercise of share options	8
Share-based employee compensation expense:	
Restricted shares	2
Balance, end of period	$3,640
PAID IN CAPITAL	
Balance, beginning of year	$8,536,340
Common Share Issuance:	
Conversion of OP Units into Common Shares	3,712
Exercise of share options	32,205
Employee Share Purchase Plan (ESPP)	1,927
Share-based employee compensation expense:	
Restricted shares	6,720
Share options	997
ESPP discount	412
Supplemental Executive Retirement Plan (SERP)	(2,307)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	(41,763)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	872
Balance, end of period	$8,539,115
RETAINED EARNINGS	
Balance, beginning of year	$1,950,639
Net income attributable to controlling interests	182,522
Common Share distributions	(201,032)
Preferred Share distributions	(891)
Premium on redemption of Preferred Shares – cash charge	(2,789)
Balance, end of period	$1,928,449

See accompanying notes

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015
SHAREHOLDERS’ EQUITY (continued)	
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(172,152)
Accumulated other comprehensive (loss) income – derivative instruments:	
Unrealized holding (losses) arising during the period	(11,788)
Losses reclassified into earnings from other comprehensive income	4,338
Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(420)
Balance, end of period	$(180,022)
NONCONTROLLING INTERESTS	
OPERATING PARTNERSHIP	
Balance, beginning of year	$214,411
Issuance of restricted units to Noncontrolling Interests	1
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(3,713)
Equity compensation associated with Noncontrolling Interests	9,963
Net income attributable to Noncontrolling Interests	7,059
Distributions to Noncontrolling Interests	(7,913)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	630
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(872)
Balance, end of period	$219,566
PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$124,909
Net income attributable to Noncontrolling Interests	643
Distributions to Noncontrolling Interests	(2,891)
Balance, end of period	$122,661

See accompanying notes
9

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Investment in real estate		
Land	$6,357,580	$6,295,404
Depreciable property	20,024,497	19,851,504
Projects under development	1,269,784	1,343,919
Land held for development	143,997	184,556
Investment in real estate	27,795,858	27,675,383
Accumulated depreciation	(5,600,485)	(5,432,805)
Investment in real estate, net	22,195,373	22,242,578
Cash and cash equivalents	49,418	40,080
Investments in unconsolidated entities	89,284	105,434
Deposits – restricted	203,800	72,303
Escrow deposits – mortgage	50,659	48,085
Deferred financing costs, net	55,791	58,380
Other assets	384,723	383,754
Total assets	$23,029,048	$22,950,614
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable	$4,957,876	$5,086,515
Notes, net	5,430,806	5,425,346
Line of credit and commercial paper	470,826	333,000
Accounts payable and accrued expenses	202,110	153,590
Accrued interest payable	84,670	89,540
Other liabilities	383,057	389,915
Security deposits	75,294	75,633
Distributions payable	208,954	188,566
Total liabilities	11,813,593	11,742,105
Commitments and contingencies		
Redeemable Limited Partners	541,866	500,733
Capital:		
Partners' Capital:		
Preference Units	40,180	50,000
General Partner	10,471,204	10,490,608
Limited Partners	219,566	214,411
Accumulated other comprehensive (loss)	(180,022)	(172,152)
Total partners' capital	10,550,928	10,582,867
Noncontrolling Interests – Partially Owned Properties	122,661	124,909
Total capital	10,673,589	10,707,776
Total liabilities and capital	$23,029,048	$22,950,614

See accompanying notes

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands except per Unit data)
(Unaudited)

	Quarter Ended March 31, 2015	2014
REVENUES		
Rental income	$664,606	$630,725
Fee and asset management	1,765	2,717
Total revenues	666,371	633,442
EXPENSES		
Property and maintenance	124,560	125,566
Real estate taxes and insurance	86,432	82,094
Property management	21,444	22,118
Fee and asset management	1,321	1,662
Depreciation	194,521	185,167
General and administrative	19,922	17,576
Total expenses	448,200	434,183
Operating income	218,171	199,259
Interest and other income	120	605
Other expenses	70	(664)
Interest:		
Expense incurred, net	(108,622)	(113,049)
Amortization of deferred financing costs	(2,589)	(2,792)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	107,150	83,359
Income and other tax (expense) benefit	(43)	(240)
Income (loss) from investments in unconsolidated entities	2,963	(1,409)
Net gain on sales of real estate properties	79,951	—
Net (loss) on sales of land parcels	(1)	(30)
Income from continuing operations	190,020	81,680
Discontinued operations, net	204	1,052
Net income	190,224	82,732
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(643)	(504)
Net income attributable to controlling interests	$189,581	$82,228
ALLOCATION OF NET INCOME:		
Preference Units	$891	$1,036
Premium on redemption of Preference Units	$2,789	$—
General Partner	$178,842	$78,099
Limited Partners	7,059	3,093
Net income available to Units	$185,901	$81,192

Earnings per Unit – basic:		
Income from continuing operations available to Units	$0.49	$0.21
Net income available to Units	$0.49	$0.22
Weighted average Units outstanding	376,696	374,201
Earnings per Unit – diluted:		
Income from continuing operations available to Units	$0.49	$0.21
Net income available to Units	$0.49	$0.22
Weighted average Units outstanding	380,327	376,384
Distributions declared per Unit outstanding	$0.5525	$0.50

See accompanying notes

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)
(Amounts in thousands except per Unit data)
(Unaudited)

	Quarter Ended March 31,	
	2015	2014
Comprehensive income:		
Net income	$190,224	$82,732
Other comprehensive (loss):		
Other comprehensive (loss) income – derivative instruments:		
Unrealized holding (losses) arising during the period	(11,788)	(11,952)
Losses reclassified into earnings from other comprehensive income	4,338	4,129
Other comprehensive (loss) income – foreign currency:		
Currency translation adjustments arising during the period	(420)	91
Other comprehensive (loss)	(7,870)	(7,732)
Comprehensive income	182,354	75,000
Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties	(643)	(504)
Comprehensive income attributable to controlling interests	$181,711	$74,496

See accompanying notes
12

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$190,224	$82,732
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	194,521	185,167
Amortization of deferred financing costs	2,589	2,792
Amortization of above/below market leases	846	829
Amortization of discounts and premiums on debt	(3,751)	(2,938)
Amortization of deferred settlements on derivative instruments	4,205	3,996
Write-off of pursuit costs	493	452
(Income) loss from investments in unconsolidated entities	(2,963)	1,409
Distributions from unconsolidated entities – return on capital	516	914
Net (gain) on sale of investment securities	—	(21)
Net (gain) on sales of real estate properties	(79,951)	—
Net loss on sales of land parcels	1	30
Net (gain) on sales of discontinued operations	—	(71)
Unrealized loss (gain) on derivative instruments	24	(3)
Compensation paid with Company Common Shares	13,610	12,981
Changes in assets and liabilities:		
Decrease (increase) in deposits – restricted	290	(418)
(Increase) decrease in mortgage deposits	(456)	375
(Increase) decrease in other assets	(4,237)	18,613
Increase in accounts payable and accrued expenses	45,450	55,263
(Decrease) in accrued interest payable	(4,870)	(169)
(Decrease) in other liabilities	(8,307)	(26,194)
(Decrease) increase in security deposits	(339)	1,143
Net cash provided by operating activities	347,895	336,882
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(6,720)	(148,535)
Investment in real estate – development/other	(146,194)	(122,340)
Capital expenditures to real estate	(38,170)	(32,191)
Non-real estate capital additions	(469)	(159)
Interest capitalized for real estate and unconsolidated entities under development	(15,313)	(12,792)
Proceeds from disposition of real estate, net	142,931	—
Investments in unconsolidated entities	(2,410)	(6,254)
Distributions from unconsolidated entities – return of capital	18,969	7,680
Proceeds from sale of investment securities	—	21
(Increase) decrease in deposits on real estate acquisitions and investments, net	(131,787)	12,904
(Increase) in mortgage deposits	(59)	(91)
Net cash (used for) investing activities	(179,222)	(301,757)

See accompanying notes

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	$—	$(60)
Mortgage deposits	(2,059)	(1,643)
Mortgage notes payable:		
Lump sum payoffs	(121,326)	—
Scheduled principal repayments	(2,746)	(3,034)
Line of credit and commercial paper:		
Line of credit proceeds	1,997,000	1,751,000
Line of credit repayments	(2,200,000)	(1,568,000)
Commercial paper proceeds	1,155,228	—
Commercial paper repayments	(814,600)	—
(Payments on) settlement of derivative instruments	(25)	—
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	1,927	1,741
Proceeds from exercise of EQR options	32,213	15,785
OP Units repurchased and retired	—	(1,777)
Redemption of Preference Units	(9,820)	—
Premium on redemption of Preference Units	(2,789)	—
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(2,501)
Contributions – Noncontrolling Interests – Partially Owned Properties	—	5,684
Contributions – Limited Partners	1	3
Distributions:		
OP Units – General Partner	(181,408)	(234,282)
Preference Units	(891)	(1,036)
OP Units – Limited Partners	(7,149)	(9,217)
Noncontrolling Interests – Partially Owned Properties	(2,891)	(4,113)
Net cash (used for) financing activities	(159,335)	(51,450)
Net increase (decrease) in cash and cash equivalents	9,338	(16,325)
Cash and cash equivalents, beginning of period	40,080	53,534
Cash and cash equivalents, end of period	$49,418	$37,209

See accompanying notes

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31,	
	2015	2014
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$113,113	$112,152
Net cash paid for income and other taxes	$718	$596
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(4,567)	$(3,506)
Notes, net	$618	$568
Line of credit and commercial paper	$198	$—
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(133)	$(133)
Accumulated other comprehensive income	$4,338	$4,129
(Income) loss from investments in unconsolidated entities:		
Investments in unconsolidated entities	$(3,625)	$472
Other liabilities	$662	$937
Distributions from unconsolidated entities – return on capital:		
Investments in unconsolidated entities	$516	$862
Other liabilities	$—	$52
Unrealized loss (gain) on derivative instruments:		
Other assets	$(4,963)	$7,279
Notes, net	$4,842	$—
Other liabilities	$11,933	$4,670
Accumulated other comprehensive income	$(11,788)	$(11,952)
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(15,313)	$(12,774)
Investments in unconsolidated entities	$—	$(18)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	$(130)	$(1,454)
Other liabilities	$(2,280)	$(4,800)
Other:		
Foreign currency translation adjustments	$420	$(91)

See accompanying notes
15

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015
PARTNERS' CAPITAL	
PREFERENCE UNITS	
Balance, beginning of year	$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	(9,820)
Balance, end of period	$40,180
GENERAL PARTNER	
Balance, beginning of year	$10,490,608
OP Unit Issuance:	
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	3,713
Exercise of EQR share options	32,213
EQR's Employee Share Purchase Plan (ESPP)	1,927
Share-based employee compensation expense:	
EQR restricted shares	6,722
EQR share options	997
EQR ESPP discount	412
Net income available to Units – General Partner	178,842
OP Units – General Partner distributions	(201,032)
Supplemental Executive Retirement Plan (SERP)	(2,307)
Change in market value of Redeemable Limited Partners	(41,763)
Adjustment for Limited Partners ownership in Operating Partnership	872
Balance, end of period	$10,471,204
LIMITED PARTNERS	
Balance, beginning of year	$214,411
Issuance of restricted units to Limited Partners	1
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(3,713)
Equity compensation associated with Units – Limited Partners	9,963
Net income available to Units – Limited Partners	7,059
Units – Limited Partners distributions	(7,913)
Change in carrying value of Redeemable Limited Partners	630
Adjustment for Limited Partners ownership in Operating Partnership	(872)
Balance, end of period	$219,566
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(172,152)
Accumulated other comprehensive (loss) income – derivative instruments:	
Unrealized holding (losses) arising during the period	(11,788)
Losses reclassified into earnings from other comprehensive income	4,338
Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(420)
Balance, end of period	$(180,022)

See accompanying notes

Table of Contents

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL (Continued)
(Amounts in thousands)
(Unaudited)

	Quarter Ended March 31, 2015
NONCONTROLLING INTERESTS	
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$124,909
Net income attributable to Noncontrolling Interests	643
Distributions to Noncontrolling Interests	(2,891)
Balance, end of period	$122,661

See accompanying notes
17

Table of Contents

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business

Equity Residential (“EQR”), a Maryland real estate investment trust (“REIT”) formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top United States growth markets. ERP Operating Limited Partnership ("ERPOP"), an Illinois limited partnership, was formed in May 1993 to conduct the multifamily residential property business of Equity Residential. EQR has elected to be taxed as a REIT. References to the "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the "Operating Partnership" mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. Unless otherwise indicated, the notes to consolidated financial statements apply to both the Company and the Operating Partnership.
EQR is the general partner of, and as of March 31, 2015 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company’s property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues public equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.
As of March 31, 2015, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 389 properties located in 12 states and the District of Columbia consisting of 108,793 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	362	97,825
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	19	3,771
Partially Owned Properties – Unconsolidated	3	1,281
Military Housing	2	5,063
	389	108,793

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period financial statements in order to conform to the current year presentation. These reclassifications did not have an impact on net income previously reported. Operating results for the quarter ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

In preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The balance sheets at December 31, 2014 have been derived from the audited financial statements at that date but do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

Table of Contents

For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company’s and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2014.

Income and Other Taxes

Due to the structure of EQR as a REIT and the nature of the operations of its operating properties, no provision for federal income taxes has been made at the EQR level. In addition, ERPOP generally is not liable for federal income taxes as the partners recognize their proportionate share of income or loss in their tax returns; therefore no provision for federal income taxes has been made at the ERPOP level. Historically, the Company has generally only incurred certain state and local income, excise and franchise taxes. The Company has elected Taxable REIT Subsidiary (“TRS”) status for certain of its corporate subsidiaries and as a result, these entities will incur both federal and state income taxes on any taxable income of such entities after consideration of any net operating losses.

Deferred tax assets and liabilities applicable to the TRS are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period enacted. The Company’s deferred tax assets are generally the result of tax affected suspended interest deductions, net operating losses, differing depreciable lives on capitalized assets and the timing of expense recognition for certain accrued liabilities. As of March 31, 2015, the Company has recorded a deferred tax asset, which is fully offset by a valuation allowance due to the uncertainty in forecasting future TRS taxable income.

Other

The Company is the controlling partner in various consolidated partnerships owning 19 properties and 3,771 apartment units and various completed and uncompleted development properties having a noncontrolling interest book value of $122.7 million at March 31, 2015. The Company is required to make certain disclosures regarding noncontrolling interests in consolidated limited-life subsidiaries. Of the consolidated entities described above, the Company is the controlling partner in limited-life partnerships owning six properties having a noncontrolling interest deficit balance of $11.0 million. These six partnership agreements contain provisions that require the partnerships to be liquidated through the sale of their assets upon reaching a date specified in each respective partnership agreement. The Company, as controlling partner, has an obligation to cause the property owning partnerships to distribute the proceeds of liquidation to the Noncontrolling Interests in these Partially Owned Properties only to the extent that the net proceeds received by the partnerships from the sale of their assets warrant a distribution based on the partnership agreements. As of March 31, 2015, the Company estimates the value of Noncontrolling Interest distributions for these six properties would have been approximately $63.3 million (“Settlement Value”) had the partnerships been liquidated. This Settlement Value is based on estimated third party consideration realized by the partnerships upon disposition of the six Partially Owned Properties and is net of all other assets and liabilities, including yield maintenance on the mortgages encumbering the properties, that would have been due on March 31, 2015 had those mortgages been prepaid. Due to, among other things, the inherent uncertainty in the sale of real estate assets, the amount of any potential distribution to the Noncontrolling Interests in the Company's Partially Owned Properties is subject to change. To the extent that the partnerships' underlying assets are worth less than the underlying liabilities, the Company has no obligation to remit any consideration to the Noncontrolling Interests in these Partially Owned Properties.

In April 2014, the Financial Accounting Standards Board (the "FASB") issued new guidance for reporting discontinued operations. Only disposals representing a strategic shift in operations that has a major effect on a company’s operations and financial results will be presented as discontinued operations. Companies are required to expand their disclosures about discontinued operations to provide more information on the assets, liabilities, income and expenses of the discontinued operations. Companies are also required to disclose the pre-tax income attributable to a disposal of a significant part of a company that does not qualify for discontinued operations reporting. Application of this guidance is prospective from the date of adoption and early adoption was permitted, but only for disposals (or classifications as held for sale) that had not been reported in financial statements previously issued. The new standard was effective January 1, 2015, but the Company early adopted it as allowed effective January 1, 2014. Adoption of this standard resulted in and will likely continue to result in substantially fewer of the Company's dispositions meeting the discontinued operations qualifications. See Note 11 for further discussion.

In May 2014, the FASB issued a comprehensive new revenue recognition standard entitled Revenue from Contracts with Customers that will supersede nearly all existing revenue recognition guidance. The new standard specifically excludes lease contracts. The new standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods

Table of Contents

or services. Companies will likely need to use more judgment and make more estimates than under current revenue recognition guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration, if any, to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard will be effective for the Company beginning on January 1, 2017 and early adoption is not permitted. The new standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company has not yet selected a transition method and is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In August 2014, the FASB issued a new standard that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date. Disclosures will be required if conditions give rise to substantial doubt, however to determine the specific disclosures, management will need to assess whether its plans will alleviate substantial doubt. The new standard is effective for the annual period ending after December 15, 2016. The Company does not expect that this will have a material effect on its consolidated results of operations or financial position.

In February 2015, the FASB issued new consolidation guidance which makes changes to both the variable interest model and the voting model. Among other changes, the new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. Generally, only a single limited partner that is able to exercise substantive kick-out rights will consolidate. The new standard will be effective for the Company beginning on January 1, 2016 and early adoption is permitted, including adoption in an interim period. The new standard must be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity/capital as of the beginning of the period of adoption or retrospectively to each period presented. The Company has not yet selected a transition method and is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In April 2015, the FASB issued a new standard which requires companies to present debt financing costs as a direct deduction from the carrying amount of the associated debt liability rather than as an asset, consistent with the presentation of debt discounts on the consolidated balance sheets. The new standard will be effective for the Company beginning on January 1, 2016 and early adoption is permitted. The new standard must be applied retrospectively to all prior periods presented in the consolidated financial statements. The Company does not expect that this will have a material effect on its consolidated results of operations or financial position.

3. Equity, Capital and Other Interests

Equity and Redeemable Noncontrolling Interests of Equity Residential

The following tables present the changes in the Company’s issued and outstanding Common Shares and “Units” (which includes OP Units and restricted units (formerly known as Long-Term Incentive Plan (“LTIP”) Units)) for the quarter ended March 31, 2015:

	2015
Common Shares	
Common Shares outstanding at January 1,	362,855,454
Common Shares Issued:	
Conversion of OP Units	154,050
Exercise of share options	770,012
Employee Share Purchase Plan (ESPP)	30,151
Restricted share grants, net	158,753
Common Shares outstanding at March 31,	363,968,420
Units	
Units outstanding at January 1,	14,298,691
Restricted units, net	333,304
Conversion of OP Units to Common Shares	(154,050)
Units outstanding at March 31,	14,477,945
Total Common Shares and Units outstanding at March 31,	378,446,365
Units Ownership Interest in Operating Partnership	3.8%

The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of restricted units, are collectively referred to as the "Noncontrolling Interests – Operating Partnership". Subject to certain exceptions (including the "book-up" requirements of restricted units), the Noncontrolling Interests – Operating Partnership may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Noncontrolling Interests – Operating Partnership (including redeemable interests) is allocated based on the number of Noncontrolling Interests – Operating Partnership Units in total in proportion to the number of Noncontrolling Interests – Operating Partnership Units in total plus the number of Common Shares. Net income is allocated to the Noncontrolling Interests – Operating Partnership based on the weighted average ownership percentage during the period.

The Operating Partnership has the right but not the obligation to make a cash payment instead of issuing Common Shares to any and all holders of Noncontrolling Interests – Operating Partnership Units requesting an exchange of their OP Units with EQR. Once the Operating Partnership elects not to redeem the Noncontrolling Interests – Operating Partnership Units for cash, EQR is obligated to deliver Common Shares to the exchanging holder of the Noncontrolling Interests – Operating Partnership Units.

The Noncontrolling Interests – Operating Partnership Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Noncontrolling Interests – Operating Partnership are differentiated and referred to as "Redeemable Noncontrolling Interests – Operating Partnership". Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer's control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Noncontrolling Interests – Operating Partnership are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Noncontrolling Interests – Operating Partnership Units that are classified in permanent equity at March 31, 2015 and December 31, 2014.

The carrying value of the Redeemable Noncontrolling Interests – Operating Partnership is allocated based on the number of Redeemable Noncontrolling Interests – Operating Partnership Units in proportion to the number of Noncontrolling Interests – Operating Partnership Units in total. Such percentage of the total carrying value of Units which is ascribed to the Redeemable Noncontrolling Interests – Operating Partnership is then adjusted to the greater of carrying value or fair market value as described above. As of March 31, 2015, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately $541.9 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Noncontrolling Interests – Operating Partnership Units.

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership for the quarter ended March 31, 2015 (amounts in thousands):

Table of Contents

	2015
Balance at January 1,	$500,733
Change in market value	41,763
Change in carrying value	(630)
Balance at March 31,	$541,866

Net proceeds from EQR Common Share and Preferred Share (see definition below) offerings are contributed by EQR to ERPOP. In return for those contributions, EQR receives a number of OP Units in ERPOP equal to the number of Common Shares it has issued in the equity offering (or in the case of a preferred equity offering, a number of preference units in ERPOP equal in number and having the same terms as the Preferred Shares issued in the equity offering). As a result, the net offering proceeds from Common Shares and Preferred Shares are allocated between shareholders' equity and Noncontrolling Interests – Operating Partnership to account for the change in their respective percentage ownership of the underlying equity of ERPOP.

The Company's declaration of trust authorizes it to issue up to 100,000,000 preferred shares of beneficial interest, $0.01 par value per share (the "Preferred Shares"), with specific rights, preferences and other attributes as the Board of Trustees may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's Common Shares.

The following table presents the Company's issued and outstanding Preferred Shares as of March 31, 2015 and December 31, 2014:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Share (2)	March 31, 2015	December 31, 2014
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized:				
8.29% Series K Cumulative Redeemable Preferred; liquidation value $50 per share; 803,600 shares issued and outstanding at March 31, 2015 and 1,000,000 shares issued and outstanding at December 31, 2014 (3)	12/10/26	$4.145	$40,180	$50,000
			$40,180	$50,000

(1) On or after the redemption date, redeemable preferred shares may be redeemed for cash at the option of the Company, in whole or
in part, at a redemption price equal to the liquidation price per share, plus accrued and unpaid distributions, if any.

(2) Dividends on Preferred Shares are payable quarterly.

(3) Effective January 26, 2015, the Company repurchased and retired 196,400 Series K Preferred Shares with a par value of $9.82 million for total cash consideration of approximately $12.7 million. As a result of this partial redemption, the Company incurred a cash charge of approximately $2.8 million which was recorded as a premium on the redemption of Preferred Shares.

Capital and Redeemable Limited Partners of ERP Operating Limited Partnership

The following tables present the changes in the Operating Partnership's issued and outstanding Units and in the limited partners' Units for the quarter ended March 31, 2015:

	2015	
General and Limited Partner Units		
General and Limited Partner Units outstanding at January 1,	377,154,145	
Issued to General Partner:		
Exercise of EQR share options	770,012	
EQR’s Employee Share Purchase Plan (ESPP)	30,151	
EQR's restricted share grants, net	158,753	
Issued to Limited Partners:		
Restricted units, net	333,304	
General and Limited Partner Units outstanding at March 31,	378,446,365	
Limited Partner Units		
Limited Partner Units outstanding at January 1,	14,298,691	
Limited Partner restricted units, net	333,304	
Conversion of Limited Partner OP Units to EQR Common Shares	(154,050	)
Limited Partner Units outstanding at March 31,	14,477,945	
Limited Partner Units Ownership Interest in Operating Partnership	3.8	%

The Limited Partners of the Operating Partnership as of March 31, 2015 include various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of restricted units. Subject to certain exceptions (including the “book-up” requirements of restricted units), Limited Partners may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Limited Partner Units (including redeemable interests) is allocated based on the number of Limited Partner Units in total in proportion to the number of Limited Partner Units in total plus the number of General Partner Units. Net income is allocated to the Limited Partner Units based on the weighted average ownership percentage during the period.

The Operating Partnership has the right but not the obligation to make a cash payment instead of issuing Common Shares to any and all holders of Limited Partner Units requesting an exchange of their OP Units with EQR. Once the Operating Partnership elects not to redeem the Limited Partner Units for cash, EQR is obligated to deliver Common Shares to the exchanging limited partner.

The Limited Partner Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Limited Partner Units are differentiated and referred to as “Redeemable Limited Partner Units”. Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer's control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Limited Partner Units are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Limited Partner Units that are classified in permanent equity at March 31, 2015 and December 31, 2014.

The carrying value of the Redeemable Limited Partner Units is allocated based on the number of Redeemable Limited Partner Units in proportion to the number of Limited Partner Units in total. Such percentage of the total carrying value of Limited Partner Units which is ascribed to the Redeemable Limited Partner Units is then adjusted to the greater of carrying value or fair market value as described above. As of March 31, 2015, the Redeemable Limited Partner Units have a redemption value of approximately $541.9 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Limited Partner Units.

The following table presents the changes in the redemption value of the Redeemable Limited Partners for the quarter ended March 31, 2015 (amounts in thousands):

	2015
Balance at January 1,	$500,733
Change in market value	41,763
Change in carrying value	(630)
Balance at March 31,	$541,866

23

Table of Contents

EQR contributes all net proceeds from its various equity offerings (including proceeds from exercise of options for Common Shares) to ERPOP. In return for those contributions, EQR receives a number of OP Units in ERPOP equal to the number of Common Shares it has issued in the equity offering (or in the case of a preferred equity offering, a number of preference units in ERPOP equal in number and having the same terms as the preferred shares issued in the equity offering).

The following table presents the Operating Partnership’s issued and outstanding “Preference Units” as of March 31, 2015 and December 31, 2014:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Unit (2)	March 31, 2015	December 31, 2014
Preference Units:				
8.29% Series K Cumulative Redeemable Preference Units; liquidation value $50 per unit; 803,600 units issued and outstanding at March 31, 2015 and 1,000,000 units issued and outstanding at December 31, 2014 (3)	12/10/26	$4.145	$40,180	$50,000
			$40,180	$50,000

(1) On or after the redemption date, redeemable preference units may be redeemed for cash at the option of the Operating Partnership, in whole or in part, at a redemption price equal to the liquidation price per unit, plus accrued and unpaid distributions, if any, in conjunction with the concurrent redemption of the corresponding Company Preferred Shares.

(2) Dividends on Preference Units are payable quarterly.

(3) Effective January 26, 2015, the Operating Partnership repurchased and retired 196,400 Series K Preference Units with a par value of $9.82 million for total cash consideration of approximately $12.7 million, in conjunction with the concurrent redemption of the corresponding Company Preferred Shares. As a result of this partial redemption, the Operating Partnership incurred a cash charge of approximately $2.8 million which was recorded as a premium on the redemption of Preference Units.

Other

In September 2009, the Company announced the establishment of an At-The-Market (“ATM”) share offering program which would allow EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). On July 30, 2013, the Board of Trustees approved an increase to the amount of shares which may be offered under the ATM program to 13.0 million Common Shares and extended the program maturity to July 2016. EQR has not issued any shares under this program since September 14, 2012.

Effective July 30, 2013, the Board of Trustees approved an increase and modification to the Company's share repurchase program to allow for the potential repurchase of up to 13.0 million Common Shares. No shares were repurchased during the quarter ended March 31, 2015. As of March 31, 2015, EQR has remaining authorization to repurchase an additional 12,968,760 of its shares.

4. Real Estate and Lease Intangibles

The following table summarizes the carrying amounts for the Company's investment in real estate (at cost) as of March 31, 2015 and December 31, 2014 (amounts in thousands):

Table of Contents

	March 31, 2015	December 31, 2014
Land	$6,357,580	$6,295,404
Depreciable property:		
Buildings and improvements	18,109,892	17,974,337
Furniture, fixtures and equipment	1,401,801	1,365,276
In-Place lease intangibles	512,804	511,891
Projects under development:		
Land	423,359	466,764
Construction-in-progress	846,425	877,155
Land held for development:		
Land	109,726	145,366
Construction-in-progress	34,271	39,190
Investment in real estate	27,795,858	27,675,383
Accumulated depreciation	(5,600,485)	(5,432,805)
Investment in real estate, net		