

EQUITY RESIDENTIAL
Form 10-K
February 21, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended DECEMBER 31, 2018

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)

Illinois (ERP Operating Limited Partnership)

(State or other jurisdiction of incorporation or organization)

Two North Riverside Plaza, Chicago, Illinois 60606

13-3675988 (Equity Residential)

36-3894853 (ERP Operating Limited Partnership)

(I.R.S. Employer Identification No.)

(312) 474-1300

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(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Shares of Beneficial Interest, \$0.01 Par Value (Equity Residential)

New York Stock Exchange

7.57% Notes due August 15, 2026 (ERP Operating Limited Partnership)
(Title of each class)

New York Stock Exchange
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None (Equity Residential)

Units of Limited Partnership Interest (ERP Operating Limited Partnership)

(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Equity Residential Yes No ERP Operating Limited Partnership Yes No

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 No ERP Operating Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Equity Residential ERP Operating Limited Partnership

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Equity Residential:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

ERP Operating Limited Partnership:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Equity Residential

ERP Operating Limited Partnership

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Equity Residential Yes No ERP Operating Limited Partnership Yes No

The aggregate market value of Common Shares held by non-affiliates of the Registrant was approximately \$23.1 billion based upon the closing price on June 30, 2018 of \$63.69 using beneficial ownership of shares rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting shares owned by Trustees and Executive Officers, some of whom may not be held to be affiliates upon judicial determination.

The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on February 15, 2019 was 369,933,743.

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DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information that will be contained in Equity Residential's Proxy Statement relating to its 2019 Annual Meeting of Shareholders, which Equity Residential intends to file no later than 120 days after the end of its fiscal year ended December 31, 2018, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.4% owner of ERP Operating Limited Partnership.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 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 December 31, 2018 owned an approximate 96.4% ownership interest in, ERPOP. The remaining 3.6% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP’s day-to-day management. 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 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. The Company may acquire properties in transactions that include the issuance of OP Units as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. This 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 because the Company maintains a one-for-one relationship between the OP Units of ERPOP issued to EQR and the outstanding Common Shares.

The Company believes that combining the reports on Form 10-K 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.

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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, the net proceeds of which it is obligated to contribute to ERPOP, 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 the capital of ERPOP in exchange for additional partnership interests in ERPOP ("OP Units") (on a one-for-one Common Share per OP Unit basis) or additional preference units in ERPOP (on a one-for-one preferred share per preference 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 partnership interests, and proceeds received from disposition of certain properties and joint venture interests.

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. 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 II, Item 9A, 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, as amended (the "Exchange Act"), 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.

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EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

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PART I

Item 1. Business

General

Equity Residential (“EQR”) is an S&P 500 company focused on the acquisition, development and management of rental apartment properties located in urban and high-density suburban markets, a business that is conducted on its behalf by ERP Operating Limited Partnership (“ERPOP”). EQR is a Maryland real estate investment trust (“REIT”) formed in March 1993 and ERPOP is an Illinois limited partnership formed in May 1993. 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 December 31, 2018 owned an approximate 96.4% 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 equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, 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.

The Company’s corporate headquarters is located in Chicago, Illinois and the Company also operates regional property management offices in each of its markets. As of December 31, 2018, the Company had approximately 2,700 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

Certain capitalized terms used herein are defined in the Notes to Consolidated Financial Statements. See also Note 17 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company’s segment disclosures.

Available Information

You may access our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to any of those reports we file with the Securities and Exchange Commission (“SEC”) free of charge on our website, www.equityapartments.com. These reports are made available on our website as soon as reasonably practicable after we file them with the SEC. The information contained on our website, including any information referred to in this report as being available on our website, is not a part of or incorporated into this report.

Business Objectives and Operating and Investing Strategies

The Company invests in apartment communities located in strategically targeted markets with the goal of maximizing our risk adjusted total return (operating income plus capital appreciation) on invested capital.

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We seek to maximize the income and capital appreciation of our properties by investing in markets that are characterized by conditions favorable to multifamily property operations and appreciation. We are focused primarily on the urban and high-density suburban areas of Boston, New York, Washington D.C., Southern California (including Los Angeles, Orange County and San Diego), San Francisco, Seattle and Denver. These markets generally feature one or more of the following characteristics that allow us to increase rents:

• High home ownership costs;

• Strong economic growth as centers of the knowledge-based economy, leading to high wage job growth and household formation, which in turn leads to high demand for our apartments;

• Urban and high-density suburban areas with an attractive quality of life leading to high resident demand and retention;

• Favorable demographics contributing to a larger pool of target residents with a high propensity or greater preference to rent apartments; and

- Higher barriers to entry where, because of land scarcity or government regulation, it is typically more difficult or costly to build new apartment properties, creating limits on new supply.

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We believe our strategy also capitalizes on the increasing preference of renters of all ages to live in the urban core of cities or dense suburban locations near transit, entertainment and cultural amenities. Millennials, the approximately 78 million people born between 1981 and 2000, are a prime apartment rental demographic. We also expect this demographic to remain renters longer due to societal trends favoring delayed marriage and smaller family sizes. Reports also show a growing trend among aging Baby Boomers, a demographic of more than 76 million people born between 1946 and 1964, toward apartment rentals. We believe that both groups appreciate the locational values described above as well as the flexibility that rental apartments offer.

Our operating focus is on balancing occupancy and rental rates to maximize our revenue while exercising tight cost control to generate the highest possible return to our shareholders. Revenue is maximized by attracting qualified prospects to our properties, cost-effectively converting these prospects into new residents and keeping our residents satisfied so they will renew their leases upon expiration. While we believe that it is our high-quality, well-located assets that bring our customers to us, it is the customer service and superior value provided by our on-site personnel that keeps them renting with us and recommending us to their friends.

We use technology to engage our customers in the way that they want to be engaged. Many of our residents utilize our web-based resident portal and app which allows them to sign and renew their leases, review their accounts and make payments, provide feedback and make service requests on-line or with mobile devices.

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture arrangements. In addition, the Company may acquire properties in transactions that include OP Units as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales.

As part of its strategy, the Company purchases apartment properties at various stages of occupancy and completion and may acquire land parcels to hold and/or sell as well as options to buy more land in the future. The Company may also seek to acquire properties by providing mezzanine financing/equity and/or purchasing defaulted or distressed debt that encumbers desirable properties.

Over the past several years, the Company has done an extensive repositioning of its portfolio into urban and highly walkable, close-in suburban assets. Since 2005, the Company has sold approximately 200,000 apartment units primarily located in markets and submarkets it believes will have less attractive long-term returns for an aggregate sales price of approximately \$24.6 billion, acquired approximately 71,000 apartment units primarily located in the urban and high-density suburban areas noted above for approximately \$21.2 billion and began approximately \$6.3 billion of development projects primarily located in the urban and high-density suburban areas noted above. In 2018, the Company began to actively invest in rental properties in urban and high-density suburban areas of Denver, a market that shares many characteristics with the Company's other markets.

We endeavor to provide a richly diverse work environment that employs the highest performers, cultivates the best ideas and creates the widest possible platform for success. We are committed to elevating and supporting the core values of diversity and inclusion, "Total Well-Being" (which brings together physical, financial, career, social and community well-being into a cohesive whole), and environmental, social and governance ("ESG"), which includes sustainability and social responsibility, by actively engaging in these areas. Each member of the executive team maintains an annual goal related to these core values, which is evaluated by the Company's Board of Trustees. Our goal is to create and sustain an inclusive environment where diversity will thrive, employees will want to work and residents will want to live. We are committed to providing our employees with encouragement, guidance, time and

resources to learn and apply the skills required to succeed in their jobs. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensive training for our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or junior positions. We monitor our employees' engagement by surveying them annually and find most employees say they are proud to work at the Company, value one another as colleagues, believe in our mission and values and feel their skills meet their job requirements. The Company recently was honored with a Glassdoor Employees' Choice Award, recognizing the Company as one of the 100 Best Places to Work in 2019 among all United States large companies, and was the highest rated real estate company in this survey.

We have a commitment to sustainability and consider the environmental impacts of our business activities. Sustainability and social responsibility are key drivers of our focus on creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban and close-in suburban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water consumption by investing in energy saving technology while positively impacting the

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experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. For 2019, we continue to have an express company-wide goal for Total Well-Being, which includes enhanced ESG efforts. Employees, including our executives, will have their performance against our various Total Well-Being goals evaluated as part of our annual performance review process.

The Company was named the 2018 Global Residential Listed Sector Leader in ESG by GRESB, a globally recognized analysis of the ESG indicators of more than 900 real estate portfolios worldwide. The Company was also recently awarded the 2018 Residential Leader in the Light award for sustainability by the National Association of Real Estate Investment Trusts ("Nareit"). This marks the fifth and third consecutive years, respectively, that the Company has received these prestigious awards. For additional information regarding our ESG efforts, see our October 2018 Environmental, Social and Governance Report at our website, www.equityapartments.com. This report was reviewed and approved by the Corporate Governance Committee of our Board of Trustees, which monitors the Company's ongoing ESG efforts. We have recently enhanced our ESG disclosure efforts, including auditing the results outlined in the above report. In addition, the Company recently issued \$400.0 million of ten-year 4.15% unsecured notes. These notes were issued as "green" bonds and as a result, the Company will allocate an amount equal to the net proceeds to one or more eligible green/sustainable projects. This was the first "green" bond issuance from an apartment REIT.

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's Results of Operations and Liquidity.

Starwood Transaction

The Company executed an agreement with controlled affiliates of Starwood Capital Group ("Starwood") on October 23, 2015 to sell a portfolio of 72 operating properties consisting of 23,262 apartment units located in five markets across the United States for \$5.365 billion (the "Starwood Transaction" or "Starwood Portfolio"). On January 26 and 27, 2016, the Company closed on the sale of the entire portfolio described above. The sale of the Starwood Portfolio, combined with the other 2016 dispositions, at that time resulted in the Company's exit from the South Florida, Denver (primarily suburban portfolio) and New England (excluding Boston) markets and substantially completed the Company's portfolio transformation which started over ten years ago.

The Company used the majority of the proceeds from the Starwood Transaction and other 2016 dispositions to pay two special dividends to its shareholders and holders of OP Units of \$11.00 per share/unit in the aggregate, consisting of special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016. The Company used the majority of the remaining proceeds to reduce aggregate indebtedness in order to make the transaction leverage neutral. The Company retired approximately \$2.0 billion in secured and unsecured debt, the majority of which was scheduled to mature in 2016 and 2017, which improved the Company's already strong credit metrics.

Competition

All of the Company's properties are located in developed areas that include other multifamily properties. The number of competitive multifamily properties in a particular area could have a material effect on the Company's ability to lease apartment units at its properties and on the rents charged. The Company may be competing with other entities that have greater resources than the Company and whose managers have more experience than the Company's managers. In addition, other forms of rental properties and single family housing provide housing alternatives to

potential residents of multifamily properties. See Item 1A, Risk Factors, for additional information with respect to competition.

Environmental Considerations

See Item 1A, Risk Factors, for information concerning the potential effects of environmental regulations on our operations.

Item 1A. Risk Factors

General

This Item 1A includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The occurrence of the events discussed in the following risk factors could adversely affect, possibly in a material manner, our business, financial condition or results of operations, which could adversely affect the value of our common shares of beneficial interest or preferred shares of beneficial interest (which we refer to collectively as "Shares"), Preference Units, OP Units, restricted

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units and our public unsecured debt. In this section, we refer to the Shares, Preference Units, OP Units, restricted units and public unsecured debt together as our “securities” and the investors who own such securities as our “security holders”.

Our performance and securities value are subject to risks associated with the real estate industry.

General

Numerous factors may adversely affect the economic performance and value of our properties and the ability to realize that value. These factors include changes in the global, national, regional and local political and economic climates, local conditions such as an oversupply of multifamily properties or a reduction in demand for our multifamily properties, the attractiveness of our properties to residents, competition from other multifamily properties and single family homes (both as rentals and owned housing) and changes in market rental rates. Additionally, our business and the value of our properties can be negatively impacted by the failure of governments to invest in infrastructure or the possibility of poor/declining fiscal health of the governments where we do business.

Our performance also depends on our ability to collect rent from residents and to pay for adequate maintenance, insurance and other operating costs, including real estate taxes, all of which could increase over time. Besides utilities, we are generally not able to pass through to our residents under existing leases any other operating expenses, including real estate taxes and on-site payroll. These operating expenses could rise faster than our revenues causing our income to decline. In circumstances where we buy or sell properties, including large portfolios of properties, overhead (property management expense and general and administrative expense) may not increase/decrease proportionally with the associated changes in revenue. Costs of labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property.

We may be unable to renew leases or relet units as leases expire.

When our residents decide to leave our apartments, we may not be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected. If residents do not experience increases in their income, we may be unable to increase rent and/or delinquencies may increase. Occupancy levels and market rents may be adversely affected by national and local political, economic and market conditions including, without limitation, new construction and excess inventory of multifamily and owned housing/condominiums, increasing portions of owned housing/condominium stock being converted to rental use, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multifamily rental housing, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences, governmental regulations including rent control or rent stabilization laws and regulations and the potential for geopolitical instability, all of which are beyond our control. Finally, government policies, many of which may encourage home ownership, can increase competition, possibly limiting our ability to raise rents in our markets and lowering the value of our properties. Consequently, our cash flow and ability to service debt and make distributions to security holders could be reduced.

Changes in rent control or rent stabilization laws and regulations and eviction laws and regulations in our markets could have an adverse effect on our operations and property values.

Various state and local governments have enacted and may continue to enact rent control or rent stabilization laws and regulations or take other actions which could limit our ability to raise rents or charge certain fees such as pet fees or application fees. We have seen a recent increase in governments considering or being urged by advocacy groups to consider rent control or rent stabilization laws and regulations. Depending on the extent and terms of future enactments of rent control or rent stabilization laws and regulations, as well as any lawsuits against the Company arising from such issues, such future enactments could have a significant adverse impact on our results of operations and the value of our properties.

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State and local governments may also make changes to eviction and other tenants' rights laws and regulations that could have an adverse impact on our operations and property values. Under current laws and regulations, eviction proceedings for delinquent residents are already costly and time-consuming, especially in markets like New York where housing courts are backlogged. If we are restricted from releasing apartment units due to the inability to evict delinquent residents, our results of operations and property values may be adversely impacted.

Concentration of properties in our primarily urban and high-density suburban markets could have an adverse effect on our operations if a particular market is adversely affected by economic or other conditions.

The Company is highly concentrated in its primarily urban and high-density suburban markets. If any one or more of these markets is adversely affected by local or regional economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors), local real estate conditions (such as oversupply of or reduced demand for multifamily properties), increases in real estate and other taxes, rent control or stabilization laws or localized environmental issues or natural disasters, such conditions may have an increased adverse impact on our results of operations than if our portfolio were more geographically diverse.

Because real estate investments are illiquid, we may not be able to sell properties when appropriate.

Real estate investments generally cannot be sold quickly. We may not be able to reconfigure our portfolio promptly in response to economic or other conditions. We may be unable to consummate such dispositions in a timely manner, on attractive terms, or at all. In some cases, we may also determine that we will not recover the carrying amount of the property upon disposition (which could also lead to an impairment charge). This inability to reallocate our capital promptly could adversely affect our financial condition and ability to make distributions to our security holders.

New acquisitions, development projects and/or renovations may fail to perform as expected and competition for acquisitions may result in increased prices for properties that we would like to acquire.

We intend to actively acquire, develop and renovate multifamily operating properties as market conditions dictate. We may also acquire multifamily properties that are unoccupied or in the early stages of lease-up. We may be unable to lease these apartment properties on schedule, resulting in decreases in expected rental revenues and/or lower yields due to lower occupancy and rental rates as well as higher than expected concessions or higher than expected operating expenses. We may not be able to achieve rents that are consistent with expectations for acquired, developed or renovated properties. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position, to complete a development property or to complete a renovation. Additionally, we expect that other real estate investors with capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development and acquisition efforts. This competition (or lack thereof) may increase (or depress) prices for multifamily properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms. We have acquired in the past and intend to continue to pursue the acquisition of properties, including large portfolios of properties, that could increase our size and result in alterations to our capital structure. The total number of apartment units under development, costs of labor and construction materials and estimated completion dates are subject to uncertainties arising from changing economic conditions, competition, tariffs and other trade disruptions and local government regulation.

Development and construction risks could affect our profitability.

We intend to continue to develop multifamily properties. These activities can include long planning and entitlement timelines and can involve complex and costly activities, including significant environmental remediation or construction work in our markets. We may experience an increase in costs associated with trade disruptions and tariffs. We may abandon opportunities (including land that we have optioned for purchase) that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses or option payments already incurred in exploring those opportunities. The occupancy rates and rents at a property may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing properties. We may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities and impairment charges.

We face certain risks related to our retail and commercial space.

The retail/commercial space (including parking garages) at our properties primarily serves as an additional amenity for our residents and neighbors. The long-term nature of our retail/commercial leases (generally five to ten years with market based renewal options) and the characteristics of many of our retail/commercial tenants (generally small, local businesses) may subject us to certain risks. We may not be able to lease new space for rents that are consistent with our projections or for market rates. Also, when leases for our existing retail/commercial space expire, the space may not be relet or the terms of reletting, including the cost of allowances

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and concessions to tenants, may be less favorable than the current lease terms. Our properties compete with other properties with retail/commercial space. The presence of competitive alternatives may affect our ability to lease space and the level of rents we can obtain. If our retail/commercial tenants experience financial distress or bankruptcy, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations which could adversely impact our results of operations and financial condition. The revenues from our retail/commercial space represent approximately 4.0% of our total rental income.

We own certain properties subject to ground leases that may limit our use of the properties, restrict our ability to finance, sell or otherwise transfer our interests in these properties and expose us to loss of the properties if such agreements are breached by us, terminated or lapse.

The Company owns the building and improvements and leases the land underlying the improvements under several long-term ground leases. These ground leases may impose limitations on our use of the properties, restrict our ability to finance, sell or otherwise transfer our interests in the properties or restrict the leasing of the properties. These restrictions may limit our ability to timely sell or exchange the properties, impair the properties' value or negatively impact our ability to find suitable residents for the properties. In addition, we could lose our interests in the properties if the ground leases are breached by us, terminated or lapse. As we get closer to the lease termination dates, the values of the properties could decrease without an extension in place. Certain of these ground leases have payments subject to annual escalations and/or periodic fair market value adjustments which could adversely affect our financial condition or results of operations.

Our investments in joint ventures could be adversely affected by our lack of sole decision-making authority regarding major decisions, our reliance on our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners.

We currently do and may continue in the future to develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. We have several joint ventures with other real estate investors. Joint venture investments involve risks not present with respect to our wholly owned properties, including the following:

- Our joint venture partners might experience financial distress, become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- We may be responsible to our partners for indemnifiable losses;
- Our joint venture partners may have business interests or goals with respect to a property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- We may be unable to take actions that are opposed by our joint venture partners under arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;
- Our joint venture partners may take actions that we oppose;
- Our ability to sell or transfer our interest in a joint venture to a third party may be restricted without prior consent of our joint venture partners;
- We may disagree with our joint venture partners about decisions affecting a property or the joint venture, which could result in litigation or arbitration that increases our expenses, distracts our officers and disrupts the day-to-day operations of the property, including by delaying important decisions until the dispute is resolved; and

•We may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments.

At times we have entered into agreements providing for joint and several liability with our partners. We also have in the past and could choose in the future to guarantee part of or all of certain joint venture debt. Frequently, we and our partners may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction. Any of these risks could materially and adversely affect our ability to generate and recognize attractive returns on our joint venture investments, which could have a material adverse effect on our results of operations, financial condition and distributions to our shareholders.

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Changes in market conditions and volatility of share prices could adversely affect the market price of our Common Shares.

The stock markets, including the New York Stock Exchange, on which we list our Common Shares, have experienced significant price and volume fluctuations over time. As a result, the market price of our Common Shares could be similarly volatile, and investors in our Common Shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The market price of our Common Shares may decline or fluctuate significantly in response to many factors, including but not limited to the following:

- General political, market and economic conditions;
- Actual or anticipated variations in our guidance, quarterly operating results or dividends;
- Changes in our net operating income (“NOI”), earnings, funds from operations (“FFO”) or Normalized FFO estimates;
- Difficulties or inability to access capital or extend or refinance debt;
- Large portfolio acquisitions or dispositions;
- Decreasing (or uncertainty in) real estate valuations;
 - Rising crime rates in markets where our primarily urban and close-in suburban portfolio is concentrated;
- A change in analyst and/or credit ratings;
- Adverse market reaction to any additional debt we incur in the future;
- Governmental regulatory action, including changes or proposed changes to rent control or rent stabilization laws and regulations and the mandates of Fannie Mae or Freddie Mac, and changes in tax laws;
- The payment of any special dividends;
- The issuance of additional Common Shares, or the perception that such issuances might occur, including under EQR’s At-The-Market (“ATM”) share offering program;
- The resale of substantial amounts of our Common Shares, or the anticipation of the resale of such shares, by large holders of our securities; and
- The repurchase of Common Shares, or the perception that such repurchases might occur, through the Company’s share repurchase program, especially if those repurchases are funded using additional debt as opposed to existing cash flow from operations.

Issuances or sales of our Common Shares may be dilutive.

The issuance or sale of substantial amounts of our Common Shares, whether directly by us or in the secondary market, the perception that such issuances or sales of our Common Shares could occur or the availability for future issuance or sale of our Common Shares or securities convertible into or exchangeable or exercisable for our Common Shares could have a dilutive effect on our actual and expected earnings per share, FFO per share and Normalized FFO per share. The actual amount of dilution cannot be determined at this time and would be dependent upon numerous factors which are not currently known to us.

We may not have sufficient cash flows from operations after capital expenditures to cover our distributions.

We generally consider our cash flows provided by operating activities after capital expenditures to be adequate to meet operating requirements and payment of regular distributions to our security holders. However, whether due to changes in the dividend policy or otherwise, there may be times when we experience shortfalls in our coverage of distributions, which may cause us to consider reducing our distributions and/or using the proceeds from property dispositions or additional financing transactions to make up the difference. Should these shortfalls occur for lengthy periods of time or be material in nature, our financial condition may be adversely affected and we may not be able to maintain our current distribution levels.

Changes in U.S. accounting standards may materially and adversely affect the reporting of our operations.

The Company follows accounting principles generally accepted in the United States (“GAAP”). GAAP is established by the Financial Accounting Standards Board (“FASB”), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The FASB and the SEC create and interpret accounting standards and may issue new accounting pronouncements or change the interpretation and application of these standards that govern the preparation of our financial statements. These changes could have a material impact on our reported consolidated results of operations and financial position.

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Any weaknesses identified in our internal control over financial reporting could have an adverse effect on our share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. If we identify one or more material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which in turn could have an adverse effect on our share price.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our reputation and business relationships, all of which could negatively impact our financial results.

A cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt payment collections and operations, corrupt data or steal confidential information, including information regarding our residents, prospective residents, employees and employees' dependents.

Despite system redundancy, the implementation of security measures, required employee awareness training and the existence of a disaster recovery plan for our internal information technology systems, our systems and systems maintained by third party vendors with which we do business are vulnerable to damage from any number of sources. We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, phishing attempts or other scams, persons inside our organization or persons/vendors with access to our systems and other significant disruptions of our information technology networks and related systems, including property infrastructure. Our information technology networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations. Even the most well-protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

We collect and hold personally identifiable information of our residents and prospective residents in connection with our leasing activities, and we collect and hold personally identifiable information of our employees and their dependents. In addition, we engage third party service providers that may have access to such personally identifiable information in connection with providing necessary information technology and security and other business services to us. Our third party service providers may contain defects in design or other problems that could unexpectedly compromise personally identifiable information. Although we make efforts to maintain the security and integrity of these types of information technology networks and related systems and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging.

We address potential breaches or disclosure of this confidential personally identifiable information by implementing a variety of security measures intended to protect the confidentiality and security of this information including (among others): (a) engaging reputable, recognized firms to help us design and maintain our information technology and data security systems; (b) conducting periodic testing and verification of information and data security systems, including performing ethical hacks of our systems to discover where any vulnerabilities may exist; and (c) providing periodic employee awareness training around phishing and other scams, malware and other cyber risks. We also maintain cyber liability insurance to provide some coverage for certain risks arising out of data and network breaches (see

further discussion on cyber liability insurance below). However, there can be no assurance that these measures will prevent a cyber incident or that our cyber liability insurance coverage will be sufficient in the event of a cyber incident.

A breach or significant and extended disruption in the function of our systems, including our primary website, could damage our reputation and cause us to lose residents and revenues, generate third party claims, result in the unintended and/or unauthorized public disclosure or the misappropriation of proprietary, personally identifiable and confidential information and require us to incur significant expenses (such as remediation costs, litigation and legal costs, and additional cybersecurity protection costs) to address and remediate or otherwise resolve these kinds of issues. We may not be able to recover these expenses in whole or in any part from our service providers, our insurers or any other responsible parties. As a result, there can be no assurance that our financial results would not be adversely impacted.

Litigation risk could affect our business.

We may become involved in legal proceedings, including but not limited to, proceedings related to consumer, shareholder, securities, employment, environmental, development, condominium conversion, tort, eviction and commercial legal issues (any of which could result in a class action lawsuit) that, if decided adversely to or settled by us, could result in liability material to our financial condition or results of operations. Additionally, we may incur liability if our properties are not constructed and operated in

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compliance with the accessibility provisions of the Americans with Disabilities Act, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in fines, subject us to lawsuits and require us to remediate or repair the noncompliance.

Environmental problems are possible and can be costly.

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Substantially all of our properties have been the subject of environmental assessments completed by qualified independent environmental consulting companies. While these environmental assessments have not revealed, nor are we aware of, any environmental liability that our management believes would have a material adverse effect on our business, results of operations, financial condition or liquidity, there can be no assurance that we will not incur such liabilities in the future.

We are aware that some of our properties have pre-existing building materials, such as lead paint or asbestos, and have implemented an operations and maintenance program at each of those properties. While we do not currently anticipate that we will incur any material liabilities as a result of these pre-existing building materials, there can be no assurance that we will not incur such liabilities in the future.

There have been a number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate. While we have adopted programs designed to minimize the existence of mold in any of our properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on our residents or the property, should mold become an issue in the future, our financial condition or results of operations may be adversely affected.

We cannot be assured that existing environmental assessments of our properties reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any of our properties.

Insurance policies can be costly and may not cover all losses, which may adversely affect our financial condition or results of operations.

The Company's property insurance, general liability and workers compensation insurance policies provide coverage with substantial per occurrence deductibles and/or self-insured retentions. The Company typically self-insures a substantial portion of insurance losses in excess of the base deductibles. In addition, earthquake losses have substantial deductibles which are applied to the values of the buildings involved in the loss. While the Company has previously purchased additional insurance coverage in the event it suffers multiple non-catastrophic occurrences within the same policy year, these substantial deductible and self-insured retention amounts do expose the Company to greater potential for uninsured losses and this additional coverage may not be available or commercially reasonable

in the future. The Company also has become more susceptible to large losses as it has transformed its portfolio, becoming more concentrated in fewer, more valuable assets over a smaller geographical footprint.

The Company has terrorism insurance coverage which excludes losses from nuclear, biological and chemical attacks. In the event of a terrorist attack impacting one or more of our properties, we could lose the revenues from the property, our capital investment in the property and possibly face liability claims from residents or others suffering injuries or losses.

The Company also has a cyber liability insurance policy which provides a policy aggregate limit and a per occurrence deductible. Cyber liability insurance generally covers costs associated with the wrongful release, through inadvertent breach or network attack, of personally identifiable information such as social security or credit card numbers. This cyber policy would cover costs such as victim notification, credit monitoring and other crisis response expenses.

The Company relies on third party insurance providers for its property, general liability and workers compensation insurance. While there has yet to be any non-performance by these major insurance providers, should any of them experience liquidity issues or other financial distress, it could negatively impact the Company. In addition, the Company annually assesses its insurance needs based on the cost of coverage and other factors. We may choose to self-insure a greater portion of this risk in the future or may choose to have higher deductibles or lesser policy terms.

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Damage from catastrophic weather and other natural events and climate change could result in losses to the Company.

Certain of our properties are located in areas that may experience catastrophic weather and other natural events from time to time, including fires, snow or ice storms, windstorms or hurricanes, earthquakes, flooding or other severe weather. These adverse weather and natural events could cause substantial damages or losses to our properties which could exceed our insurance coverage and may result in a decrease in demand for properties located in these areas or affected by these conditions. Furthermore, the potential impact of climate change, increased severe weather or earthquakes could cause a significant increase in insurance premiums and deductibles, or a decrease in the availability of coverage, either of which could expose the Company to even greater uninsured losses which may adversely affect our financial condition or results of operations.

In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, as well as anticipated future revenue from that property. We could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

In addition, changes in government legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require us to spend more on our development properties without a corresponding increase in revenues.

Non-performance by our operating counterparties could adversely affect our performance.

We have relationships with and, from time to time, we execute transactions with or receive services from many counterparties. As a result, defaults by counterparties could result in services not being provided, or volatility in the financial markets could affect counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may adversely affect our business and results of operations.

Debt financing could adversely affect our performance.

Disruptions in the financial markets could adversely affect our ability to obtain debt financing and impact our acquisitions and dispositions.

Dislocations and liquidity disruptions in capital and credit markets could impact liquidity in the debt markets, resulting in financing terms that are less attractive to us and/or the unavailability of certain types of debt financing. Should the capital and credit markets experience volatility and the availability of funds again become limited, or be available only on unattractive terms, we will incur increased costs associated with issuing debt instruments. In addition, it is possible that our ability to access the capital and credit markets may be limited or precluded by these or other factors at a time when we would like, or need, to do so, which would adversely impact our ability to refinance maturing debt and/or react to changing economic and business conditions. Uncertainty in the credit markets could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. Potential continued disruptions in the financial markets could also have other unknown adverse effects on us or the economy generally and may cause the price of our securities to fluctuate significantly and/or to decline.

Potential reforms to Fannie Mae and Freddie Mac could adversely affect our performance.

Through their lender originator networks, Fannie Mae and Freddie Mac (the “Government Sponsored Enterprises” or “GSEs”) are significant lenders and enhancers of tax-exempt bonds both to the Company and to buyers of the Company’s properties. The GSEs have a mandate to support multifamily housing through their financing activities. Any changes to their mandates, reductions in their size or the scale of their activities or loss of key personnel could have an impact on the Company and may, among other things, lead to lower values for our assets and higher interest rates on our secured borrowings. Disruptions in the floating rate tax-exempt bond market (where interest rates reset weekly) and in the credit market’s perception of the GSEs, which guarantee and provide liquidity for many of these bonds, have been experienced in the past and may be experienced in the future and could result in an increase in interest rates on our tax-exempt debt obligations. These bonds could also be put to our consolidated subsidiaries if the GSEs fail to satisfy their guaranty obligations. While this obligation is in almost all cases non-recourse to us, this could cause the Company to have to repay these obligations on short notice or risk foreclosure actions on the collateralized assets.

Non-performance by our financial counterparties could adversely affect our performance.

Although we have not experienced any material counterparty non-performance, disruptions in financial and credit markets could, among other things, impede the ability of our counterparties to perform on their contractual obligations. There are multiple financial institutions that are individually committed to lend us varying amounts as part of our revolving credit facility. Should any of these institutions fail to fund their committed amounts when contractually required, our financial condition could be adversely affected. Should several of these institutions fail to fund, we could experience significant financial distress.

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A significant downgrade in our credit ratings could adversely affect our performance.

A significant downgrade in our credit ratings, while not affecting our ability to draw proceeds under the revolving credit facility, would cause our borrowing costs to increase under the revolving credit facility, impact our ability to borrow secured and unsecured debt, impair our ability to access the commercial paper market or otherwise limit our access to capital. In addition, a downgrade below investment grade would require us to post cash collateral and/or letters of credit in favor of some of our secured lenders to cover our self-insured property and liability insurance deductibles or to obtain lower deductible insurance compliant with the lenders' requirements at the lower ratings level.

Scheduled debt payments could adversely affect our financial condition.

In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our securities at expected levels.

We may not be able to refinance existing debt, including joint venture indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if we can, the terms of such refinancing might not be as favorable as the terms of existing indebtedness. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our operating cash flow will not be sufficient in all years to repay all maturing debt. As a result, certain of our other debt may cross default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

Financial covenants could adversely affect the Company's financial condition.

The mortgages on our properties may contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. In addition, our unsecured revolving credit facility contains certain restrictions, requirements and other limitations on our ability to incur debt. The indentures under which a substantial portion of our unsecured debt was issued also contain certain financial and operating covenants including, among other things, maintenance of certain financial ratios, as well as limitations on our ability to incur secured and unsecured debt (including acquisition financing), and to sell all or substantially all of our assets. Our revolving credit facility and indentures are cross-defaulted and also contain cross default provisions with other material debt. While the Company believes it was in compliance with its unsecured public debt covenants for both the years ended December 31, 2018 and 2017, should it fall out of compliance, it would likely have a negative impact on our financial condition and results of operations.

Some of the properties were financed with tax-exempt bonds or otherwise contain certain restrictive covenants or deed restrictions, including affordability requirements. The Company, and from time to time its consultants, monitor compliance with the restrictive covenants and deed restrictions that affect these properties. If these compliance requirements restrict our ability to increase our rental rates to low or moderate-income residents, or eligible/qualified residents, then our income from these properties may be limited. While we generally believe that the interest rate benefit attendant to properties with tax-exempt bonds more than outweighs any loss of income due to restrictive covenants or deed restrictions, this may not always be the case. Some of these requirements are complex and our failure to comply with them may subject us to material fines or liabilities.

Our degree of leverage could limit our ability to obtain additional financing.

Our degree of leverage could have important consequences to security holders. For example, the degree of leverage could affect our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, making us more vulnerable to a downturn in business or the economy in general.

Rising interest rates could adversely affect our operations and cash flows.

The Company's exposure to market risk for changes in interest rates primarily relates to the refinancing of its long-term debt and floating interest rate instruments that include its unsecured revolving credit facility, commercial paper program, floating rate tax-exempt debt and fair value hedges that convert fixed rate debt to floating rate debt. These exposures to interest rates are primarily driven by changes in long-term U.S. Treasury rates for refinancing activity, changes in short-term London interbank offered rate ("LIBOR") borrowing rates and the Securities Industry and Financial Markets Association ("SIFMA") index for floating rate debt and changes in commercial paper market conditions. Increases in interest rates would increase our interest expense under these debt instruments and would increase the costs of refinancing existing debt and of issuing new debt. Accordingly, higher interest rates could adversely affect our operations and cash flows and our ability to service our debt and make distributions to security holders.

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Derivatives and hedging activity could adversely affect cash flow.

In the normal course of business, we use derivatives to manage our exposure to interest rate volatility on debt instruments, including hedging for future debt issuances. At other times we may utilize derivatives to increase our exposure to floating interest rates. We may also use derivatives to manage commodity prices in the daily operations of our business. There can be no assurance that these hedging arrangements will have the desired beneficial impact. These arrangements, which can include a number of counterparties, may expose us to additional risks, including failure of any of our counterparties to perform under these contracts, and may involve extensive costs, such as transaction fees or breakage costs, if we terminate them. No strategy can completely insulate us from the risks associated with interest rate or commodity pricing fluctuations.

The phase-out of LIBOR and transition to SOFR as a benchmark interest rate could have adverse effects.

In 2018, the Alternative Reference Rate Committee identified the Secured Overnight Financing Rate (“SOFR”) as the alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, published by the Federal Reserve Bank of New York. By the end of 2021, it is expected that no new contracts will reference LIBOR and will instead use SOFR. Due to the broad use of LIBOR as a reference rate, all financial market participants, including the Company, are impacted by the risks associated with this transition and therefore it could adversely affect our operations and cash flows.

We depend on our key personnel.

We depend on the efforts of our trustees and executive officers. If one or more of them resign or otherwise cease to be employed by us, our business and results of operations and financial condition could be adversely affected.

Shareholders’ ability to effect changes in control of the Company is limited.

Provisions of our Declaration of Trust and Bylaws could inhibit changes in control.

Certain provisions of our Declaration of Trust and Bylaws may delay or prevent a change in control of the Company or other transactions that could provide the security holders with a premium over the then-prevailing market price of their securities or which might otherwise be in the best interest of our security holders. This includes the Ownership Limit described below. While our existing preferred shares/preference units do not have these provisions, any future series of preferred shares/preference units may have certain voting provisions that could delay or prevent a change in control or other transactions that might otherwise be in the interest of our security holders. Our Bylaws require certain information to be provided by any security holder, or persons acting in concert with such security holder, who proposes business or a nominee at an annual meeting of shareholders, including disclosure of information related to hedging activities and investment strategies with respect to our securities. These requirements could delay or prevent a change in control or other transactions that might otherwise be in the interest of our security holders.

We have a share ownership limit for REIT tax purposes.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding Shares may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any year. To facilitate maintenance of our REIT qualification, our Declaration of Trust, subject to certain exceptions, prohibits ownership by any single shareholder of more than 5% of the lesser of the number or value of any outstanding class of common or preferred shares. We refer to this restriction as the “Ownership Limit.” Absent any exemption or waiver

granted by our Board of Trustees, securities acquired or held in violation of the Ownership Limit will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and the security holder's rights to distributions and to vote would terminate. A transfer of Shares may be void if it causes a person to violate the Ownership Limit. The Ownership Limit could delay or prevent a change in control and, therefore, could adversely affect our security holders' ability to realize a premium over the then-prevailing market price for their Shares. To reduce the ability of the Board to use the Ownership Limit as an anti-takeover device, the Company's Ownership Limit requires, rather than permits, the Board to grant a waiver of the Ownership Limit if the individual seeking a waiver demonstrates that such ownership would not jeopardize the Company's status as a REIT. We have issued several of these waivers in the past.

Our preferred shares may affect changes in control.

Our Declaration of Trust authorizes the Board of Trustees to issue up to 100 million preferred shares, and to establish the preferences and rights (including the right to vote and the right to convert into common shares) of any preferred shares issued. The Board of Trustees may use its powers to issue preferred shares and to set the terms of such securities to delay or prevent a change in control of the Company, even if a change in control were in the interest of security holders.

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Inapplicability of Maryland law limiting certain changes in control.

Certain provisions of Maryland law applicable to REITs prohibit “business combinations” (including certain issuances of equity securities) with any person who beneficially owns ten percent or more of the voting power of outstanding securities, or with an affiliate who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the Company’s outstanding voting securities (an “Interested Shareholder”), or with an affiliate of an Interested Shareholder. These prohibitions last for five years after the most recent date on which the Interested Shareholder became an Interested Shareholder. After the five-year period, a business combination with an Interested Shareholder must be approved by two super-majority shareholder votes unless, among other conditions, holders of common shares receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its common shares. As permitted by Maryland law, however, the Board of Trustees of the Company has opted out of these restrictions with respect to any business combination involving Mr. Zell and certain of his affiliates and persons acting in concert with them. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to a business combination involving us and/or any of them. Such business combinations may not be in the best interest of our security holders.

Our status as a REIT is dependent on compliance with federal income tax requirements.

Our failure to qualify as a REIT would have serious adverse consequences to our security holders.

We believe that we have qualified for taxation as a REIT for federal income tax purposes since our taxable year ended December 31, 1992 based, in part, upon opinions of tax counsel received whenever we have issued equity securities or engaged in significant merger transactions. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. We cannot, therefore, guarantee that we have qualified or will qualify as a REIT in the future. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control. For example, to qualify as a REIT, our gross income must generally come from rental and other real estate or passive related sources that are itemized in the REIT tax laws. We are also required to distribute to security holders at least 90% of our REIT taxable income excluding net capital gains. The fact that we hold our assets through the Operating Partnership further complicates the application of the REIT requirements. In addition, certain of our subsidiary entities have elected to be taxed as REITs. As such, each must separately satisfy all of the requirements to qualify for REIT status. Our failure to comply with the complex REIT rules at the subsidiary REIT level can materially and adversely impact EQR’s REIT status.

Even a technical or inadvertent mistake could jeopardize our REIT status; however, the REIT qualification rules permit REITs in certain circumstances to pay a monetary penalty for inadvertent mistakes rather than lose REIT status. There is also risk that Congress and the Internal Revenue Service (“IRS”) might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified from taxation as a REIT for four years following the year in which we failed to qualify as a REIT. If we fail to qualify as a REIT, we would have to pay significant income taxes. We therefore would have less money available for investments or for distributions to security holders. This would likely have a significant adverse effect on the value of our securities. In addition, we would no longer be required to make any distributions to security holders. Even if we qualify as a REIT, we are and

will continue to be subject to certain federal, state and local taxes on our income and property. In addition, various business activities which generate income that is not qualifying income for a REIT are conducted through taxable REIT subsidiaries and will be subject to federal and state income tax at regular corporate rates to the extent they generate taxable income.

The Tax Act is complex and remains subject to interpretations.

On December 22, 2017, the President signed into law H.R. 1, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"), with most provisions having an initial effective date of January 1, 2018. The Tax Act made significant changes to the Internal Revenue Code, as amended (the "Code"). Changes made by the Tax Act that may affect the taxation of REITs and their security holders include, among other things: (a) permanent reduction in corporate tax rates and elimination of the corporate alternative minimum tax; (b) temporary reduction in individual tax rates; (c) enactment of a deduction of up to 20% of certain pass-through business income and REIT dividends (excluding capital gain and qualified dividends) received by individuals, estates and trusts; and (d) limitation of the net operating loss deduction to 80% of REIT taxable income (determined without regard to the dividends paid deduction). In addition, the Tax Act generally limits the deduction for net business interest expense in excess of 30% of a business's adjusted taxable income except for taxpayers engaged in certain real estate businesses (including equity REITs) that elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system with longer depreciation periods).

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As of December 31, 2018, the Tax Act did not have a material impact on our REIT or subsidiary entities, the size and character of our dividends, our ability to continue to qualify as a REIT or on our results of operations. In addition, the Tax Act is expected to have a favorable impact on the effective tax rate of our shareholders and our residents. However, the complete impact of the Tax Act remains unclear and there can be no assurances that it will have a neutral or favorable impact. Technical corrections or other amendments to the Tax Act as well as interpretations and implementing regulations by the IRS and the U.S. Department of the Treasury that may prospectively or retroactively modify tax treatment may be forthcoming at any time. Prospective and current shareholders should consult with their tax advisors with respect to the effect of the Tax Act and any other regulatory or administrative developments and proposals and their potential effect on your investment.

We could be disqualified as a REIT or have to pay taxes if our merger partners did not qualify as REITs.

If any of our prior merger partners had failed to qualify as a REIT throughout the duration of their existence, then they might have had undistributed “Subchapter C corporation earnings and profits” at the time of the merger with us. If that were the case and we did not distribute those earnings and profits prior to the end of the year in which the merger took place, we might not qualify as a REIT. We believe, based in part upon opinions of legal counsel received pursuant to the terms of our merger agreements as well as our own investigations, among other things, that each of our prior merger partners qualified as a REIT and that, in any event, none of them had any undistributed “Subchapter C corporation earnings and profits” at the time of their merger with us. If any of our prior merger partners failed to qualify as a REIT, an additional concern would be that they could have been required to recognize taxable gain at the time they merged with us. We would be liable for the tax on such gain. We also could have to pay corporate income tax on any gain existing at the time of the applicable merger on assets acquired in the merger if the assets are disposed of within ten years of the merger.

Compliance with REIT distribution requirements may affect our financial condition and our shareholders’ liquidity.

Distribution requirements may limit our flexibility to manage our portfolio.

In order to maintain qualification as a REIT under the Code, the REIT must annually distribute to its shareholders at least 90% of its REIT taxable income, excluding the dividends paid deduction and net capital gains. We may not have sufficient cash or other liquid assets to meet the 90% distribution requirement. We may be required from time to time, under certain circumstances, to accrue as income for tax purposes interest and rent earned but not yet received. We may incur a reduction in tax depreciation without a reduction in capital expenditures. Provisions of the Tax Act may require that we depreciate existing assets over a longer useful life, which may substantially increase our taxable income. In addition, gain from the sale of property may exceed the amount of cash received on a leverage-neutral basis. A substantial increase to our taxable income may reduce the flexibility of the Company to manage its portfolio through dispositions of properties in non-1031 exchange transactions or cause the Company to borrow funds or liquidate investments on adverse terms in order to meet these distribution requirements. If we fail to satisfy the 90% distribution requirement, we would cease to be taxed as a REIT, resulting in substantial tax-related liabilities.

Tax elections regarding distributions may impact future liquidity of the Company or our shareholders.

Under certain circumstances we have made and/or may consider making again in the future, a tax election to treat future distributions to shareholders as distributions in the current year. This election, which is provided for in the Code, may allow us to avoid increasing our dividends or paying additional income taxes in the current year. However, this could result in a constraint on our ability to decrease our dividends in future years without creating risk of either violating the REIT distribution requirements or generating additional income tax liability.

The IRS has published several rulings that allow REITs to offer shareholders the choice of stock or cash with respect to the receipt of a dividend (an “elective stock dividend”). However, REITs are also permitted to limit the amount of cash paid to all shareholders to 20% of the total dividend paid. Therefore, it is possible that the total tax burden to shareholders resulting from an elective stock dividend may exceed the amount of cash received by the shareholder.

Federal Income Tax Considerations

General

The following discussion summarizes the federal income tax considerations material to a holder of common shares. It is not exhaustive of all possible tax considerations. For example, it does not give a detailed discussion of any state, local or foreign tax considerations. The following discussion also does not address all tax matters that may be relevant to prospective shareholders in light of their particular circumstances. Moreover, it does not address all tax matters that may be relevant to shareholders who are subject to special treatment under the tax laws, such as insurance companies, tax-exempt entities, financial institutions or broker-dealers, foreign corporations, persons who are not citizens or residents of the United States and persons who own shares through a partnership or other entity treated as a flow-through entity for federal income tax purposes.

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The specific tax attributes of a particular shareholder could have a material impact on the tax considerations associated with the purchase, ownership and disposition of common shares. Therefore, it is essential that each prospective shareholder consult with his or her own tax advisors with regard to the application of the federal income tax laws to the shareholder's personal tax situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The information in this section is based on the current Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the IRS, including its practices and policies as set forth in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. Thus, it is possible that the IRS could challenge the statements in this discussion, which do not bind the IRS or the courts, and that a court could agree with the IRS.

Our taxation

We elected REIT status beginning with the tax year that ended December 31, 1992. In any year in which we qualify as a REIT, we generally will not be subject to federal income tax on the portion of our REIT taxable income or capital gain that we distribute to our shareholders. This treatment substantially eliminates the double taxation that applies to most corporations, which pay a tax on their income and then distribute dividends to shareholders who are in turn taxed on the amount they receive. We elected taxable REIT subsidiary ("TRS") status for certain of our corporate subsidiaries engaged in activities which cannot be performed directly by a REIT, such as condominium conversion and sale activities. As a result, we will be subject to federal income tax on the taxable income generated by these activities in our TRSs.

Our qualification and taxation as a REIT depends on our ability to satisfy various requirements under highly technical and complex provisions of the Code. These requirements must be satisfied on a continuing basis through actual annual operating and other results. Accordingly, there can be no assurance that we will be able to continue to operate in a manner so as to remain qualified as a REIT.

Failure to qualify as a REIT and/or failure to meet certain REIT requirements would result in the following adverse tax consequences:

- We will be subject to federal income tax at regular corporate rates upon our REIT taxable income or capital gains that we do not distribute to our shareholders. In addition, we will be subject to a 4% excise tax if we do not satisfy specific REIT distribution requirements;
- For tax years prior to January 1, 2018, we could also be subject to the "alternative minimum tax" on our items of tax preference;
 - Any net income from "prohibited transactions" (i.e., dispositions of property, other than property held by a TRS, held primarily for sale to customers in the ordinary course of business) will be subject to a 100% tax;
- We could also be subject to a 100% penalty tax on certain payments received from or on certain expenses deducted by a TRS if any such transaction is not respected by the IRS;
- If we fail to satisfy the 75% gross income test or the 95% gross income test (described below) but have maintained our qualification as a REIT because we satisfied certain other requirements, we will still generally be subject to a 100% penalty tax on the taxable income attributable to the gross income that caused the income test failure;
- If we fail to satisfy any of the REIT asset tests (described below) by more than a de minimis amount, due to reasonable cause, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will

be required to pay a tax equal to the greater of \$50,000 or the highest marginal corporate tax rate multiplied by the net income generated by the non-qualifying assets;

• If we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income or asset tests described below) and the violation is due to reasonable cause, we may retain our REIT qualification but we will be required to pay a penalty of \$50,000 for each such failure; and

• We may be subject to taxes in certain situations and on certain transactions that we do not presently contemplate.

We believe that we have qualified as a REIT for all of our taxable years beginning with 1992. We also believe that our current structure and method of operation is such that we will continue to qualify as a REIT. However, given the complexity of the REIT qualification requirements, we cannot provide any assurance that the actual results of our operations have satisfied or will satisfy the requirements under the Code for a particular year.

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions described herein do not apply, we will be subject to tax on our taxable income at regular corporate rates. As a result, our failure to qualify as a REIT would significantly reduce

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the cash we have available to distribute to our shareholders. Unless entitled to statutory relief, we would not be able to re-elect to be taxed as a REIT until our fifth taxable year after the year of disqualification. It is not possible to state whether we would be entitled to statutory relief.

Ownership of Taxable REIT Subsidiaries by Us. The Code provides that REITs may own greater than ten percent of the voting power and value of the securities of a TRS, provided that the aggregate value of all of the TRS securities held by the REIT does not exceed 20% of the REIT's total asset value. TRSs are corporations subject to tax as a regular "C" corporation that have elected, jointly with a REIT, to be a TRS. Generally, a TRS may own assets that cannot otherwise be owned by a REIT and can perform impermissible tenant services (discussed below), which would otherwise taint our rental income under the REIT income tests. However, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the REIT will be obligated to pay a 100% penalty tax on some payments that we receive or on certain expenses deducted by our TRSs if the economic arrangements between us, our tenants and the TRS are not comparable to similar arrangements among unrelated parties. A TRS may also receive income from prohibited transactions without incurring the 100% federal income tax liability imposed on REITs. Income from prohibited transactions may include the purchase and sale of land, the purchase and sale of completed development properties and the sale of condominium units.

TRSs pay federal and state income tax at the full applicable corporate rates. The amount of taxes paid on impermissible tenant services income and the sale of real estate held primarily for sale to customers in the ordinary course of business may be material in amount. The TRSs will attempt to reduce, if possible, the amount of these taxes, but we cannot guarantee whether, or the extent to which, measures taken to reduce these taxes will be successful. To the extent that these companies are required to pay taxes, less cash may be available for distributions to shareholders.

Share Ownership Test and Organizational Requirement. In order to qualify as a REIT, our shares must be held by a minimum of 100 persons for at least 335 days of a taxable year that is 12 months, or during a proportionate part of a taxable year of less than 12 months. Also, not more than 50% in value of our shares may be owned directly or indirectly by applying certain constructive ownership rules, by five or fewer individuals during the last half of each taxable year. In addition, we must meet certain other organizational requirements, including, but not limited to, that (i) the beneficial ownership in us is evidenced by transferable shares and (ii) we are managed by one or more trustees. We believe that we have satisfied all of these tests and all other organizational requirements and that we will continue to do so in the future. In order to ensure compliance with the 100 person test and the 50% share ownership test discussed above, we have placed certain restrictions on the transfer of our shares that are intended to prevent further concentration of share ownership. However, such restrictions may not prevent us from failing these requirements, and thereby failing to qualify as a REIT.

Gross Income Tests. To qualify as a REIT, we must satisfy two gross income tests:

- (1) At least 75% of our gross income for each taxable year must generally be derived directly or indirectly from rents from real property, interest on obligations secured by mortgages on real property or on interests in real property, gain from the sale or other disposition of non-dealer real property and shares of REIT stock, dividends paid by another REIT and from some types of temporary investments (excluding certain hedging income); and
- (2) At least 95% of our gross income for each taxable year must generally be derived from sources qualifying under the 75% test described in (1) above, non-REIT dividends, non-real estate mortgage interest and gain from the sale or disposition of non-REIT stock or securities (excluding certain hedging income).

To qualify as rents from real property for the purpose of satisfying the gross income tests, rental payments must generally be received from unrelated persons and not be based on the net income of the resident. Also, the rent attributable to personal property must not exceed 15% of the total rent. We may generally provide services to residents without “tainting” our rental income only if such services are “usually or customarily rendered” in connection with the rental of real property and not otherwise considered “impermissible services”. If such services are impermissible, then we may generally provide them only if they are considered de minimis in amount, or are provided through an independent contractor from whom we derive no revenue and that meets other requirements, or through a TRS. We believe that services provided to residents by us do not generally result in substantial impermissible tenant services income, and will not, when considered together with all of our gross receipts, cause us to fail to satisfy the REIT gross income tests. However, we cannot provide any assurance that the IRS will agree with these positions.

If we fail to satisfy one or both of the gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. In this case, a penalty tax would still be applicable as discussed above. Generally, it is not possible to state whether in all circumstances we would be entitled to the benefit of these relief provisions and in the event these relief provisions do not apply, we will not qualify as a REIT.

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Asset Tests. In general, on the last day of each quarter of our taxable year, we must satisfy five tests relating to the nature of our assets:

- (1) At least 75% of the value of our total assets must consist of real estate assets (which include for this purpose shares in other REITs) and certain cash related items;
- (2) Not more than 25% of the value of our total assets may consist of securities other than those in the 75% asset class;
- (3) Except for securities included in item (1) above, equity investments in other REITs, qualified REIT subsidiaries (i.e., corporations owned 100% by a REIT that are not TRSs or REITs), or taxable REIT subsidiaries: (a) the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets and (b) we may not own securities representing more than 10% of the voting power or value of the outstanding securities of any one issuer;
- (4) Not more than 20% of the value of our total assets may consist of securities of one or more taxable REIT subsidiaries; and
- (5) Not more than 25% of the value of our total assets may be represented by nonqualified publicly offered REIT debt instruments.

The 10% value test described in clause (3)(b) above does not apply to nonqualified publicly offered REIT debt instruments or to certain securities that fall within a safe harbor under the Code. Under the safe harbor, the following are not considered "securities" held by us for purposes of this 10% value test: (i) straight debt securities, (ii) any loan of an individual or an estate, (iii) certain rental agreements for the use of tangible property, (iv) any obligation to pay rents from real property, (v) any security issued by a state or any political subdivision thereof, foreign government or Puerto Rico only if the determination of any payment under such security is not based on the profits of another entity or payments on any obligation issued by such other entity, or (vi) any security issued by a REIT. The timing and payment of interest or principal on a security qualifying as straight debt may be subject to a contingency provided that (A) such contingency does not change the effective yield to maturity, not considering a de minimis change which does not exceed the greater of $\frac{1}{4}$ of 1% or 5% of the annual yield to maturity or we own \$1,000,000 or less of the aggregate issue price or value of the particular issuer's debt and not more than 12 months of unaccrued interest can be required to be prepaid or (B) the contingency is consistent with commercial practice and the contingency is effective upon a default or the exercise of a prepayment right by the issuer of the debt. If we hold indebtedness from any issuer, including a REIT, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying real estate asset or otherwise satisfies the above safe harbor. We currently own equity interests in certain entities that have elected to be taxed as REITs for federal income tax purposes and are not publicly traded. If any such entity were to fail to qualify as a REIT, we would not meet the 10% voting stock limitation and the 10% value limitation and we would, unless certain relief provisions applied, fail to qualify as a REIT. We believe that we and each of the REITs we own an interest in have and will comply with the foregoing asset tests for REIT qualification. However, we cannot provide any assurance that the IRS will agree with our determinations.

If we fail to satisfy the 5% or 10% asset tests described above after a 30-day cure period provided in the Code, we will be deemed to have met such tests if the value of our non-qualifying assets is de minimis (i.e., does not exceed the lesser of 1% of the total value of our assets at the end of the applicable quarter or \$10,000,000) and we dispose of the non-qualifying assets within six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered. For violations due to reasonable cause and not willful neglect that are in excess of the de minimis exception described above, we may avoid disqualification as a REIT under any of the asset tests, after the 30-day cure period, by disposing of sufficient assets to meet the asset test within such six month period, paying a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets and disclosing certain information to the IRS. If we cannot avail ourselves of these relief provisions, or if we fail to timely cure any noncompliance with the asset tests, we would cease to qualify as a REIT.

Annual Distribution Requirements. To qualify as a REIT, we are generally required to distribute dividends, other than capital gain dividends, to our shareholders each year in an amount at least equal to 90% of our REIT taxable income. These distributions must be paid either in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the prior year and if paid with or before the first regular dividend payment date after the declaration is made. We intend to make timely distributions sufficient to satisfy our annual distribution requirements. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100% of our REIT taxable income, as adjusted, we are subject to tax on these amounts at regular corporate rates. We will be subject to a 4% excise tax on the excess of the required distribution over the sum of amounts actually distributed and amounts retained for which federal income tax was paid, if we fail to distribute during each calendar year at least the sum of: (1) 85% of our REIT ordinary income for the year; (2) 95% of our REIT capital gain net income for the year; and (3) any undistributed taxable income from prior taxable years. A REIT may elect to retain rather than distribute all or a portion of its net capital gains and pay the tax on the gains. In that case, a REIT may elect to have its shareholders include their proportionate share of the undistributed net capital gains in income as long-term capital gains and receive a credit for their share of the tax paid by the REIT. For purposes of the 4% excise tax described above, any retained amounts would be treated as having been distributed.

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Ownership of Partnership Interests By Us. As a result of our ownership of the Operating Partnership, we will be considered to own and derive our proportionate share of the assets and items of income of the Operating Partnership, respectively, for purposes of the REIT asset and income tests, including its share of assets and items of income of any subsidiaries that are partnerships or limited liability companies. Consequently, the Operating Partnership's assets and operations may affect our ability to qualify as a REIT.

State and Local Taxes. We may be subject to state or local taxation in various jurisdictions, including those in which we transact business or reside. State and local tax treatment may not conform to the federal income tax treatment discussed above and any changes in the federal tax code may not be adopted by the states, potentially leading to material tax liabilities for the Company and its shareholders. In addition, state and local taxing jurisdictions may adopt new legislation or tax regimes which could significantly impact our tax liabilities or require the Company to withhold taxes from shareholders. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in common shares.

Taxation of domestic shareholders subject to U.S. tax

General. If we qualify as a REIT, distributions made to our taxable domestic shareholders with respect to their common shares, other than capital gain distributions and distributions attributable to TRSs, will be treated as ordinary income to the extent that the distributions come out of earnings and profits. These distributions will not be eligible for the dividends received deduction for shareholders that are corporations nor will they constitute "qualified dividend income" under the Code, meaning that such dividends will be taxed at marginal rates applicable to ordinary income rather than the special capital gain rates currently applicable to qualified dividend income distributed to shareholders who satisfy applicable holding period requirements. In determining whether distributions are out of earnings and profits, we will allocate our earnings and profits first to preferred shares and second to the common shares. The portion of ordinary dividends which represent ordinary dividends we receive from a TRS, will be designated as "qualified dividend income" to REIT shareholders. These qualified dividends are eligible for preferential tax rates if paid to our non-corporate shareholders.

To the extent we make distributions to our taxable domestic shareholders in excess of our earnings and profits, such distributions will be considered a return of capital. Such distributions will be treated as a tax-free distribution and will reduce the tax basis of a shareholder's common shares by the amount of the distribution so treated. To the extent such distributions cumulatively exceed a taxable domestic shareholder's tax basis, such distributions are taxable as gain from the sale of shares. Shareholders may not include in their individual income tax returns any of our net operating losses or capital losses.

Dividends declared by a REIT in October, November, or December, with a record date in such month, are deemed to have been paid by the REIT and received by its shareholders on December 31 of that year, so long as the dividends are actually paid during January of the following year. However, this treatment only applies to the extent of the REIT's earnings and profits existing on December 31. To the extent the shareholder distributions paid in January exceed available earnings and profits as of December 31, the excess will be treated as a distribution taxable to shareholders in the year paid. As such, for tax reporting purposes, January distributions paid to our shareholders may be split between two tax years.

A REIT may make an election under the Code to treat certain dividends that are paid in a taxable year, as being made by the REIT in the previous taxable year. A shareholder is required to include the amount of the dividend in the taxable year that it is paid by the REIT.

Distributions made by us that we properly designate as capital gain dividends will be taxable to taxable domestic shareholders as gain from the sale or exchange of a capital asset held for more than one year. This treatment applies only to the extent that the designated distributions do not exceed our actual net capital gain for the taxable year or the amount of distributions treated as dividends for the taxable year. It applies regardless of the period for which a domestic shareholder has held his or her common shares. Despite this general rule, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income.

Generally, our designated capital gain dividends will be broken out into net capital gains distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 20% for individual taxpayers in the highest tax bracket) and unrecaptured Section 1250 gain distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 25%).

Certain U.S. shareholders that are taxed as individuals, estates or trusts may also be required to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of shares.

If, for any taxable year, we elect to designate as capital gain dividends any portion of the dividends paid or made available for the year to holders of all classes of shares, then the portion of the capital gains dividends that will be allocable to the holders of

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common shares will be the total capital gain dividends multiplied by a fraction. The numerator of the fraction will be the total dividends paid or made available to the holders of the common shares for the year. The denominator of the fraction will be the total dividends paid or made available to holders of all classes of shares.

We may elect to retain (rather than distribute as is generally required) net capital gain for a taxable year and pay the income tax on that gain. If we make this election, shareholders must include in income, as long-term capital gain, their proportionate share of the undistributed net capital gain. Shareholders will be treated as having paid their proportionate share of the tax paid by us on these gains. Accordingly, they will receive a tax credit or refund for the amount. Shareholders will increase the basis in their common shares by the difference between the amount of capital gain included in their income and the amount of the tax they are treated as having paid. Our earnings and profits will be adjusted appropriately.

In general, a shareholder will recognize gain or loss for federal income tax purposes on the sale or other disposition of common shares in an amount equal to the difference between:

- (a) the amount of cash and the fair market value of any property received in the sale or other disposition; and
- (b) the shareholder's adjusted tax basis in the common shares.

The gain or loss will be capital gain or loss if the common shares were held as a capital asset. Generally, the capital gain or loss will be long-term capital gain or loss if the common shares were held for more than one year.

In general, a loss recognized by a shareholder upon the sale of common shares that were held for six months or less, determined after applying certain holding period rules, will be treated as long-term capital loss to the extent that the shareholder received distributions that were treated as long-term capital gains. For shareholders who are individuals, trusts and estates, the long-term capital loss will be apportioned among the applicable long-term capital gain rates to the extent that distributions received by the shareholder were previously so treated.

Taxation of domestic tax-exempt shareholders

Most tax-exempt organizations are not subject to federal income tax except to the extent of their unrelated business taxable income, which is often referred to as UBTI. Unless a tax-exempt shareholder holds its common shares as debt financed property or uses the common shares in an unrelated trade or business, distributions to the shareholder should not constitute UBTI. Similarly, if a tax-exempt shareholder sells common shares, the income from the sale should not constitute UBTI unless the shareholder held the shares as debt financed property or used the shares in a trade or business.

However, for tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans, income from owning or selling common shares will constitute UBTI unless the organization is able to properly deduct amounts set aside or placed in reserve so as to offset the income generated by its investment in common shares. These shareholders should consult their own tax advisors concerning these set aside and reserve requirements which are set forth in the Code. In addition, certain provisions of the Tax Act may impact a tax-exempt shareholder's calculation of UBTI. These shareholders should consult their own tax advisors concerning the impact of the Tax Act and their federal income tax obligations.

In addition, certain pension trusts that own more than 10% of a "pension-held REIT" must report a portion of the distributions that they receive from the REIT as UBTI. We have not been and do not expect to be treated as a pension-held REIT for purposes of this rule.

Taxation of foreign shareholders

The following is a discussion of certain anticipated United States federal income tax consequences of the ownership and disposition of common shares applicable to a foreign shareholder. For purposes of this discussion, a “foreign shareholder” is any person other than:

- (a) a citizen or resident of the United States;
- (b) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state thereof; or
- (c) an estate or trust whose income is includable in gross income for United States federal income tax purposes regardless of its source.

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Distributions by Us. Distributions by us to a foreign shareholder that are neither attributable to gain from sales or exchanges by us of United States real property interests nor designated by us as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of our earnings and profits. These distributions ordinarily will be subject to withholding of United States federal income tax on a gross basis at a 30% rate, or a lower treaty rate, unless the dividends are treated as effectively connected with the conduct by the foreign shareholder of a United States trade or business. Please note that under certain treaties lower withholding rates generally applicable to dividends do not apply to dividends from REITs. Dividends that are effectively connected with a United States trade or business will be subject to tax on a net basis at graduated rates, and are generally not subject to withholding. Certification and disclosure requirements must be satisfied before a dividend is exempt from withholding under this exemption. A foreign shareholder that is a corporation also may be subject to an additional branch profits tax at a 30% rate or a lower treaty rate.

We expect to withhold United States income tax at the rate of 30% on any such distributions made to a foreign shareholder unless:

- (a) a lower treaty rate applies and any required form or certification evidencing eligibility for that reduced rate is filed with us; or
- (b) the foreign shareholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

If such distribution is in excess of our current or accumulated earnings and profits, it will not be taxable to a foreign shareholder to the extent that the distribution does not exceed the adjusted basis of the shareholder's common shares. Instead, the distribution will reduce the adjusted basis of the common shares. To the extent that the distribution exceeds the adjusted basis of the common shares, it will give rise to gain from the sale or exchange of the shareholder's common shares. The tax treatment of this gain is described below.

We intend to withhold at a rate of 30%, or a lower applicable treaty rate, on the entire amount of any distribution not designated as a capital gain distribution. In such event, a foreign shareholder may seek a refund of the withheld amount from the IRS if it is subsequently determined that the distribution was, in fact, in excess of our earnings and profits, and the amount withheld exceeded the foreign shareholder's United States tax liability with respect to the distribution.

Distributions to a foreign shareholder that we designate at the time of the distributions as capital gain dividends, other than those arising from the disposition of a United States real property interest, generally will not be subject to United States federal income taxation unless:

- (a) the investment in the common shares is effectively connected with the foreign shareholder's United States trade or business, in which case the foreign shareholder will be subject to the same treatment as domestic shareholders, except that a shareholder that is a foreign corporation may also be subject to the branch profits tax, as discussed above; or
- (b) the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Under the Foreign Investment in Real Property Tax Act, which is known as FIRPTA, distributions to a foreign shareholder (other than certain qualified shareholders and qualified foreign pension funds discussed below) that are attributable to gain from sales or exchanges of United States real property interests will cause the foreign shareholder to be treated as recognizing the gain as income effectively connected with a United States trade or business. This rule applies whether or not a distribution is designated as a capital gain dividend. Accordingly, foreign shareholders

generally would be taxed on these distributions at the same rates applicable to U.S. shareholders, subject to a special alternative minimum tax in the case of nonresident alien individuals. In addition, a foreign corporate shareholder might be subject to the branch profits tax discussed above, as well as U.S. federal income tax return filing requirements. We are required to withhold 21% of these distributions. The withheld amount can be credited against the foreign shareholder's United States federal income tax liability.

Although the law is not entirely clear on the matter, it appears that amounts we designate as undistributed capital gains in respect of the common shares held by U.S. shareholders would be treated with respect to foreign shareholders in the same manner as actual distributions of capital gain dividends. Under that approach, foreign shareholders would be able to offset as a credit against their United States federal income tax liability their proportionate share of the tax paid by us on these undistributed capital gains. In addition, if timely requested, foreign shareholders might be able to receive from the IRS a refund to the extent their proportionate share of the tax paid by us were to exceed their actual United States federal income tax liability.

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Foreign Shareholders' Sales of Common Shares. Gain recognized by a foreign shareholder upon the sale or exchange of common shares generally will not be subject to United States taxation unless the shares constitute a "United States real property interest" within the meaning of FIRPTA. The common shares will not constitute a United States real property interest so long as we are a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by foreign shareholders. We believe that we are a domestically controlled REIT. Therefore, we believe that the sale of common shares will not be subject to taxation under FIRPTA. However, because common shares and preferred shares are publicly traded, we cannot guarantee that we will continue to be a domestically controlled REIT. In any event, gain from the sale or exchange of common shares not otherwise subject to FIRPTA will be subject to U.S. tax, if either:

- (a) the investment in the common shares is effectively connected with the foreign shareholder's United States trade or business, in which case the foreign shareholder will be subject to the same treatment as domestic shareholders with respect to the gain; or
- (b) the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Even if we do not qualify as or cease to be a domestically controlled REIT, gain arising from the sale or exchange by a foreign shareholder of common shares still would not be subject to United States taxation under FIRPTA as a sale of a United States real property interest if:

- (a) the class or series of shares being sold is "regularly traded," as defined by applicable IRS regulations, on an established securities market such as the New York Stock Exchange; and
- (b) the selling foreign shareholder owned 10% or less of the value of the outstanding class or series of shares being sold throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale or exchange of common shares were subject to taxation under FIRPTA, the foreign shareholder would be subject to regular United States income tax with respect to the gain in the same manner as a taxable U.S. shareholder, subject to any applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals and the possible application of the branch profits tax in the case of foreign corporations. The purchaser of the common shares would be required to withhold and remit to the IRS 15% of the purchase price.

Exception to FIRPTA for Qualified Shareholders. For dispositions and distributions after December 18, 2015, stock of a REIT held (directly or through partnerships) by a "qualified shareholder" will not be treated as United States real property interest, and capital gain dividends from such a REIT will not be treated as gain from the sale of a United States real property interest. This exception does not apply to persons that hold an interest, taking into account applicable constructive ownership rules, more than 10% of the stock of the REIT (unless that interest is solely as a creditor (an "applicable investor")). If the qualified shareholder has such an "applicable investor," the portion of REIT stock indirectly owned through the qualified shareholder by the applicable investor will be treated as gains from the sale of United States real property interests. For these purposes, a "qualified shareholder" is a foreign person which is in a treaty jurisdiction and satisfies certain publicly traded requirements, is a "qualified collective investment vehicle" and maintains records on the identity of certain 5% owners. A "qualified collective investment vehicle" is a foreign person that is eligible for a reduced withholding rate with respect to ordinary REIT dividends even if such person holds more than 10% of the REIT's stock, a publicly traded partnership that is a withholding foreign partnership that would be a United States real property holding corporation if it were a United States corporation, or is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either fiscally transparent within the meaning of the Code or required to include dividends in its gross income but entitled to a deduction for distribution to its

investors. Finally, capital gain dividends and nondividend redemption and liquidating distributions to a qualified shareholder that are not allocable to an applicable investor will be treated as ordinary dividends.

Exception to FIRPTA Withholding for Qualified Foreign Pension Funds. For distributions or dispositions of REIT stock after December 18, 2015, “qualified foreign pension funds” and entities that are wholly owned by a qualified foreign pension fund are exempted from FIRPTA withholding. For these purposes, a “qualified foreign pension fund” is any trust, corporation, or other organization or arrangement if (i) it was created or organized under foreign law, (ii) it was established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) it does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) it is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) under the laws of the country in which it is established or operates, either contributions to such fund which would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such fund or taxed at a reduced rate, or taxation of any investment income of such fund is deferred or such income is taxed at a reduced rate.

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Information reporting requirement and backup withholding

We will report to our domestic shareholders and the IRS the amount of distributions paid during each calendar year and the amount of tax withheld, if any. Under certain circumstances, domestic shareholders may be subject to backup withholding. Backup withholding will apply only if such domestic shareholder fails to furnish certain information to us or the IRS. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. Domestic shareholders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. The amount of any backup withholding with respect to a payment to a domestic shareholder will be allowed as a credit against such person's United States federal income tax liability and may entitle such person to a refund, provided that the required information is timely furnished to the IRS.

Withholding on foreign financial institutions and non-U.S. shareholders

The Foreign Account Tax Compliance Act ("FATCA") imposes a U.S. withholding tax at a 30% rate on dividends and on proceeds from the sale of our shares paid beginning January 1, 2019 to "foreign financial institutions" (as defined under FATCA) and certain other foreign entities if certain due diligence and disclosure requirements related to U.S. accounts with, or ownership of, such entities are not satisfied or an exemption does not apply. If FATCA withholding is imposed, non-U.S. beneficial owners that are otherwise eligible for an exemption from, or a reduction of, U.S. withholding tax with respect to such distributions and sale proceeds would be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. Any payment made by us that is subject to withholding under FATCA or otherwise will be net of the amount required to be withheld.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2018, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 307 properties located in 11 states and the District of Columbia consisting of 79,482 apartment units. See Item 1, Business, for additional information regarding the Company's properties and the markets/metro areas upon which we are focused. The Company's properties are summarized by building type in the following table:

			Average
Type	Properties	Apartment Units	Apartment Units
Garden	104	26,376	254
Mid/High-Rise	203	53,106	262
	307	79,482	259

The Company's properties are summarized by ownership type in the following table:

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	Properties	Apartment Units
Wholly Owned Properties	287	74,840
Master-Leased Property – Consolidated	1	162
Partially Owned Properties – Consolidated	17	3,535
Partially Owned Properties – Unconsolidated	2	945
	307	79,482

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The following table sets forth certain information by market relating to the Company's properties at December 31, 2018:

Portfolio Summary	% of			
	Apartment	Budgeted	Average	Rental
Markets/Metro Areas	Properties	Units	NOI (A)	Rate (B)
Los Angeles	70	15,968	18.5	% \$ 2,551
Orange County	13	4,028	4.3	% 2,202
San Diego	12	3,385	3.8	% 2,376
Subtotal – Southern California	95	23,381	26.6	% 2,465
San Francisco	55	13,424	20.6	% 3,219
Washington D.C.	49	16,050	17.1	% 2,396
New York	37	9,741	15.2	% 3,848
Boston	25	6,641	10.2	% 3,061
Seattle	41	8,438	9.6	% 2,387
Denver	2	726	0.7	% 2,088
Other Markets	1	136	—	% 1,217
Total	305	78,537	100.0	% 2,789
Unconsolidated Properties	2	945	—	—
Grand Total	307	79,482	100.0	% \$ 2,789

Note: Projects under development are not included in the Portfolio Summary until construction has been completed.

(A) % of Stabilized Budgeted NOI - Represents budgeted 2019 NOI for stabilized properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(B) Average Rental Rate - Total residential rental revenues reflected on a straight-line basis in accordance with GAAP divided by the weighted average occupied apartment units for the reporting period presented.

As of December 31, 2018, the Company's same store occupancy was 96.1% and its total portfolio-wide occupancy, which includes completed development properties in various stages of lease-up, was 95.9%. Certain of the Company's properties are encumbered by mortgages and additional detail can be found on Schedule III – Real Estate and Accumulated Depreciation. Resident leases are generally for twelve months in length. Garden-style are generally defined as properties with two and/or three story buildings while mid-rise/high-rise are defined as properties with greater than three story buildings. These two property types typically provide residents with amenities, such as rooftop decks and swimming pools, fitness centers and community rooms. In addition, many of our urban properties have parking garages and/or retail components.

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The consolidated properties currently in various stages of development and lease-up at December 31, 2018 are included in the following table:

Development and Lease-Up Projects as of December 31, 2018

(Amounts in thousands except for project and apartment unit amounts)

Projects	Location	No. of Apartments Units	Total	Total	Total Book	Not Placed in Service	Total Debt	Percent Completed	Estimated/Actual Legal Occupancy	Completion Date	Stabilization Date	Percent Leased	Percent Occupied
			Budgeted Capital Cost (1)	Book Value to Date	Value								
Projects Under Development:													
1401 E. Madison	Seattle, WA	137	\$62,352	\$34,523	\$34,523	\$—	45%	Q2 2019	Q3 2019	Q1 2020	—	—	—
249 Third Street	Cambridge, MA	84	51,447	26,168	26,168	—	38%	Q3 2019	Q4 2019	Q2 2020	—	—	—
West End Tower	Boston, MA	469	409,749	48,718	48,718	—	7%	Q2 2021	Q3 2021	Q1 2023	—	—	—
Projects Under Development Completed Not Stabilized (2):		690	523,548	109,409	109,409	—							
100K Apartments	Washington D.C.	222	88,023	85,116	—	—		Q3 2018	Q4 2018	Q4 2019	39%	35%	
Projects Completed Not Stabilized		222	88,023	85,116	—	—							
Projects Completed and Stabilized During the Quarter:													
Cascade	Seattle, WA	477	174,378	171,902	—	—		Q2 2017	Q4 2017	Q4 2018	98%	97%	
Projects Completed and Stabilized During the Quarter		477	174,378	171,902	—	—							
Total Development Projects		1,389	\$785,949	\$366,427	\$109,409	\$—							
Land Held for Development		N/A	N/A	\$89,909	\$89,909	\$—							

Note: All development projects are wholly owned by the Company.

(1) Total Budgeted Capital Cost – Estimated cost for projects under development and/or developed and all capitalized costs incurred to date, including land acquisition costs, construction costs, capitalized real estate taxes and insurance, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, plus any estimates of costs remaining to be funded for all projects, all in accordance with GAAP.

(2) Properties included here are substantially complete. However, they may still require additional exterior and interior work for all apartment units to be available for leasing.

Item 3. Legal Proceedings

As of December 31, 2018, the Company does not believe there is any litigation pending or threatened against it that, individually or in the aggregate, may reasonably be expected to have a material adverse effect on the Company.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Share/Unit Dividends/Distributions (Equity Residential and ERP Operating Limited Partnership)

The Company’s Common Shares trade on the New York Stock Exchange under the trading symbol EQR. There is no established public market for the Operating Partnership’s Units (OP Units and restricted units). At February 15, 2019, the number of record holders of Common Shares was approximately 2,100 and 369,933,743 Common Shares were outstanding. At February 15, 2019, the number of record holders of Units in the Operating Partnership was approximately 500 and 383,968,656 Units were outstanding.

The following table sets forth, for the years indicated, the dividends/distributions declared on the Company’s Common Shares/Operating Partnership’s Units.

	Dividends/Distributions	
	2018	2017
Fourth Quarter Ended December 31,	\$ 0.54	\$ 0.50375
Third Quarter Ended September 30,	\$ 0.54	\$ 0.50375
Second Quarter Ended June 30,	\$ 0.54	\$ 0.50375
First Quarter Ended March 31,	\$ 0.54	\$ 0.50375

Unregistered Common Shares Issued in the Quarter Ended December 31, 2018 (Equity Residential)

During the quarter ended December 31, 2018, EQR issued 118,967 Common Shares in exchange for 118,967 OP Units held by various limited partners of ERPOP. OP Units are generally exchangeable into Common Shares on a one-for-one basis or, at the option of ERPOP, the cash equivalent thereof, at any time one year after the date of issuance. These shares were either registered under the Securities Act of 1933, as amended (the “Securities Act”), or issued in reliance on an exemption from registration under Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder, as these were transactions by an issuer not involving a public offering. In light of the manner of the sale and information obtained by EQR from the limited partners in connection with these transactions, EQR believes it may rely on these exemptions.

Equity Compensation Plan Information

The following table provides information as of December 31, 2018 with respect to the Company’s Common Shares that may be issued under its existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of	Weighted average exercise price of outstanding	Number of securities remaining available for future issuance
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	outstanding options, warrants and rights	options, warrants and rights	under equity compensation plans (excluding securities in column (a))
	(a) (1)	(b) (1)	(c) (2)
Equity compensation plans approved by shareholders	7,112,235	\$52.35	7,598,377
Equity compensation plans not approved by shareholders	N/A	N/A	N/A

(1) The amounts shown in columns (a) and (b) of the above table do not include 299,425 outstanding Common Shares (all of which are restricted and subject to vesting requirements) that were granted under the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan") and outstanding Common Shares that have been purchased by employees and trustees under the Company's ESPP.

(2) Includes 4,835,914 Common Shares that may be issued under the 2011 Plan, of which only 33% may be in the form of restricted shares/units, and 2,762,463 Common Shares that may be sold to employees and trustees under the ESPP.

Any Common Shares issued pursuant to EQR's incentive equity compensation and employee share purchase plans will result in ERPOP issuing OP Units to EQR on a one-for-one basis, with ERPOP receiving the net cash proceeds of such issuances.

Item 6. Selected Financial Data

The following tables set forth selected financial and operating information on a historical basis for the Company and the Operating Partnership. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating and balance sheet data have been derived from the historical financial statements of the Company and the Operating Partnership. Certain capitalized terms as used herein are defined in the Notes to Consolidated Financial Statements.

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EQUITY RESIDENTIAL

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

(Financial information in thousands except for per share and property data)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
OPERATING DATA:					
Total revenues from continuing operations	\$2,578,434	\$2,471,406	\$2,425,800	\$2,744,965	\$2,614,748
Interest and other income	\$15,317	\$6,136	\$65,773	\$7,372	\$4,462
Net gain (loss) on sales of real estate properties	\$256,810	\$157,057	\$4,044,055	\$335,134	\$212,685
Income from continuing operations	\$685,192	\$628,381	\$4,479,586	\$907,621	\$657,101
Discontinued operations, net	\$—	\$—	\$518	\$397	\$1,582
Net income	\$685,192	\$628,381	\$4,480,104	\$908,018	\$658,683
Net income available to Common Shares	\$654,445	\$600,363	\$4,289,072	\$863,277	\$627,163
Earnings per share – basic:					
Income from continuing operations					
available to Common Shares	\$1.78	\$1.64	\$11.75	\$2.37	\$1.73
Net income available to Common Shares	\$1.78	\$1.64	\$11.75	\$2.37	\$1.74
Weighted average Common Shares outstanding	368,052	366,968	365,002	363,498	361,181
Earnings per share – diluted:					
Income from continuing operations					
available to Common Shares	\$1.77	\$1.63	\$11.68	\$2.36	\$1.72
Net income available to Common Shares	\$1.77	\$1.63	\$11.68	\$2.36	\$1.73
Weighted average Common Shares outstanding	383,695	382,678	381,992	380,620	377,735
Distributions declared per Common Share outstanding	\$2.16	\$2.015	\$13.015	\$2.21	\$2.00
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$26,511,022	\$26,026,896	\$25,386,425	\$25,182,352	\$27,675,383
Real estate, after accumulated depreciation	\$19,814,741	\$19,986,518	\$20,026,036	\$20,276,946	\$22,242,578
Real estate held for sale	\$—	\$—	\$—	\$2,181,135	\$—
Total assets	\$20,394,209	\$20,570,599	\$20,704,148	\$23,110,196	\$22,902,160
Total debt	\$8,817,939	\$8,957,291	\$8,987,258	\$10,921,366	\$10,796,407
Redeemable Noncontrolling Interests –					
Operating Partnership	\$379,106	\$366,955	\$442,092	\$566,783	\$500,733
Total shareholders' equity	\$10,173,204	\$10,242,464	\$10,229,078	\$10,470,368	\$10,368,456

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Total Noncontrolling Interests	\$226,445	\$231,399	\$231,906	\$225,987	\$339,320
OTHER DATA:					
Total properties (at end of period)	307	305	302	394	391
Total apartment units (at end of period)	79,482	78,611	77,458	109,652	109,225
Funds from operations available to Common					
Shares and Units – basic (1)	\$1,204,867	\$1,204,904	\$1,123,530	\$1,323,786	\$1,190,915
Normalized funds from operations available to					
Common Shares and Units – basic (1)	\$1,248,710	\$1,199,237	\$1,179,650	\$1,317,802	\$1,196,446
Cash flow provided by (used for):					
Operating activities	\$1,356,295	\$1,265,788	\$1,214,123	\$1,356,628	\$1,324,611
Investing activities	\$(376,834)	\$(594,296)	\$5,903,942	\$(695,814)	\$(678,468)
Financing activities	\$(963,910)	\$(789,818)	\$(7,054,092)	\$(666,167)	\$(685,412)

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

(Financial information in thousands except for per Unit and property data)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
OPERATING DATA:					
Total revenues from continuing operations	\$2,578,434	\$2,471,406	\$2,425,800	\$2,744,965	\$2,614,748
Interest and other income	\$15,317	\$6,136	\$65,773	\$7,372	\$4,462
Net gain (loss) on sales of real estate properties	\$256,810	\$157,057	\$4,044,055	\$335,134	\$212,685
Income from continuing operations	\$685,192	\$628,381	\$4,479,586	\$907,621	\$657,101
Discontinued operations, net	\$—	\$—	\$518	\$397	\$1,582
Net income	\$685,192	\$628,381	\$4,480,104	\$908,018	\$658,683
Net income available to Units	\$679,384	\$622,967	\$4,460,583	\$897,518	\$651,994
Earnings per Unit – basic:					
Income from continuing operations					
available to Units	\$1.78	\$1.64	\$11.75	\$2.37	\$1.73
Net income available to Units	\$1.78	\$1.64	\$11.75	\$2.37	\$1.74
Weighted average Units outstanding	380,921	379,869	378,829	377,074	374,899
Earnings per Unit – diluted:					
Income from continuing operations					
available to Units	\$1.77	\$1.63	\$11.68	\$2.36	\$1.72
Net income available to Units	\$1.77	\$1.63	\$11.68	\$2.36	\$1.73
Weighted average Units outstanding	383,695	382,678	381,992	380,620	377,735
Distributions declared per Unit outstanding	\$2.16	\$2.015	\$13.015	\$2.21	\$2.00
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$26,511,022	\$26,026,896	\$25,386,425	\$25,182,352	\$27,675,383
Real estate, after accumulated depreciation	\$19,814,741	\$19,986,518	\$20,026,036	\$20,276,946	\$22,242,578
Real estate held for sale	\$—	\$—	\$—	\$2,181,135	\$—
Total assets	\$20,394,209	\$20,570,599	\$20,704,148	\$23,110,196	\$22,902,160
Total debt	\$8,817,939	\$8,957,291	\$8,987,258	\$10,921,366	\$10,796,407
Redeemable Limited Partners	\$379,106	\$366,955	\$442,092	\$566,783	\$500,733
Total partners' capital	\$10,401,942	\$10,469,155	\$10,450,375	\$10,691,747	\$10,582,867
Noncontrolling Interests – Partially Owned Properties	\$(2,293)	\$4,708	\$10,609	\$4,608	\$124,909
OTHER DATA:					
Total properties (at end of period)	307	305	302	394	391
Total apartment units (at end of period)	79,482	78,611	77,458	109,652	109,225

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Funds from operations available to Units –

basic (1)	\$ 1,204,867	\$ 1,204,904	\$ 1,123,530	\$ 1,323,786	\$ 1,190,915
Normalized funds from operations available to					
Units – basic (1)	\$ 1,248,710	\$ 1,199,237	\$ 1,179,650	\$ 1,317,802	\$ 1,196,446
Cash flow provided by (used for):					
Operating activities	\$ 1,356,295	\$ 1,265,788	\$ 1,214,123	\$ 1,356,628	\$ 1,324,611
Investing activities	\$(376,834)	\$(594,296)	\$5,903,942	\$(695,814)	\$(678,468)
Financing activities	\$(963,910)	\$(789,818)	\$(7,054,092)	\$(666,167)	\$(685,412)

(1) See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for a reconciliation of net income to FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units and the definitions of these non-GAAP financial measures.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the results of operations and financial condition of the Company and the Operating Partnership should be read in connection with the Consolidated Financial Statements and Notes thereto. Due to the Company's ability to control the Operating Partnership and its subsidiaries, the Operating Partnership and each such subsidiary entity has been consolidated with the Company for financial reporting purposes, except for our unconsolidated properties/entities. Capitalized terms used herein and not defined are as defined elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements

Forward-looking statements in this Item 7 as well as elsewhere in this Annual Report on Form 10-K are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, projections and assumptions made by management. While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such information is inherently subject to uncertainties and may involve certain risks, which could cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Many of these uncertainties and risks are difficult to predict and beyond management's control. Forward-looking statements are not guarantees of future performance, results or events. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update or supplement these forward-looking statements. Factors that might cause such differences include, but are not limited to, the following:

- We intend to actively acquire, develop and renovate multifamily operating properties as market conditions dictate. We may also acquire multifamily properties that are unoccupied or in the early stages of lease-up. We may be unable to lease these apartment properties on schedule, resulting in decreases in expected rental revenues and/or lower yields due to lower occupancy and rental rates as well as higher than expected concessions or higher than expected operating expenses. We may not be able to achieve rents that are consistent with expectations for acquired, developed or renovated properties. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position, to complete a development property or to complete a renovation. Additionally, we expect that other real estate investors with capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development and acquisition efforts. This competition (or lack thereof) may increase (or depress) prices for multifamily properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms. We have acquired in the past and intend to continue to pursue the acquisition of properties, including large portfolios of properties, that could increase our size and result in alterations to our capital structure. The total number of apartment units under development, costs of labor and construction materials and estimated completion dates are subject to uncertainties arising from changing economic conditions, competition, tariffs and other trade disruptions and local government regulation;
- Debt financing and other capital required by the Company may not be available or may only be available on adverse terms;
- Labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated;
- Occupancy levels and market rents may be adversely affected by national and local political, economic and market conditions including, without limitation, new construction and excess inventory of multifamily and owned housing/condominiums, increasing portions of owned housing/condominium stock being converted to rental use, rental housing subsidized by the government, other government programs that favor single family rental housing or

owner occupied housing over multifamily rental housing, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences, governmental regulations including rent control or rent stabilization laws and regulations and the potential for geopolitical instability, all of which are beyond the Company's control; and

• Additional factors as discussed in Part I of this Annual Report on Form 10-K, particularly those under Item 1A, Risk Factors.

Forward-looking statements and related uncertainties are also included in the Notes to Consolidated Financial Statements in this report.

Overview

See Item 1, Business, for discussion regarding the Company's overview.

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Business Objectives and Operating and Investing Strategies

See Item 1, Business, for discussion regarding the Company's business objectives and operating and investing strategies.

Results of Operations

2018 and 2017 Transactions

During the years ended December 31, 2018 and 2017, in conjunction with our business objectives and operating strategy, the Company continued to invest in apartment properties located primarily in our urban and high-density suburban markets and sell apartment properties located primarily in the less dense portion of suburban markets and/or properties that we believe will have inferior long-term returns as follows:

Year Ended December 31, 2018:

- Acquired five consolidated apartment properties, located in the Seattle, New York, Denver (two properties) and Boston markets, consisting of 1,461 apartment units, along with the remaining 17 apartment units of an existing consolidated apartment property located in the Washington D.C. market, for approximately \$707.0 million at a weighted average Acquisition Cap Rate (see Definitions section below) of 4.4%;
- Sold five consolidated apartment properties, located in the Seattle, Los Angeles and New York (three properties) markets, consisting of 1,292 apartment units for approximately \$706.1 million at a weighted average Disposition Yield (see Definitions section below) of 4.1% and generating an Unlevered IRR (see Definitions section below) of 8.7%;
- Sold one land parcel located in the Washington D.C. market for a sale price of approximately \$2.7 million;
- Started construction on one project, located in the Boston market, consisting of 469 apartment units totaling approximately \$409.7 million of expected development costs; and
- Substantially completed construction on two projects, located in the San Francisco and Washington D.C. markets, consisting of 671 apartment units totaling approximately \$410.3 million of development costs at a weighted average Development Yield (see Definitions section below) of 5.2% and stabilized four projects, located in the Washington D.C., San Francisco and Seattle (two properties) markets, consisting of 1,498 apartment units totaling approximately \$794.8 million of development costs at a weighted average Development Yield of 5.2%.

Year Ended December 31, 2017:

- Acquired four consolidated apartment properties, located in the Seattle (two properties), Boston and Los Angeles markets, consisting of 947 apartment units for approximately \$468.0 million at a weighted average Acquisition Cap Rate of 4.8%;
- Sold five consolidated apartment properties, located in the Boston (three properties), New York and San Diego markets, consisting of 1,194 apartment units for approximately \$355.0 million at a weighted average Disposition Yield of 5.1% and generating an Unlevered IRR of 12.4%;
- Started construction on two projects, located in the Boston and Seattle markets, consisting of 221 apartment units totaling approximately \$113.8 million of expected development costs; and
- Substantially completed construction on four projects, located in the Orange County, Washington D.C. and Seattle (two properties) markets, consisting of 1,393 apartment units totaling approximately \$579.9 million of development costs and stabilized five development projects, located in the San Francisco (three properties), Los Angeles and Orange County markets, consisting of 1,931 apartment units totaling approximately \$983.1 million of development costs.

See also Note 4 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's real estate transactions.

Same Store Results

Properties that the Company owned and were stabilized (see definition below) for all of both 2018 and 2017 (the "2018 Same Store Properties"), which represented 71,721 apartment units, impacted the Company's results of operations. The 2018 Same Store Properties are discussed in the following paragraphs.

The Company's primary financial measure for evaluating each of its apartment communities is net operating income ("NOI"). NOI represents rental income less direct property operating expenses (including real estate taxes and insurance). The Company believes that NOI is helpful to investors as a supplemental measure of its operating performance because it is a direct measure of the actual operating results of the Company's apartment properties.

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The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the year ended December 31, 2018:

	Year Ended December 31, 2018	
	Apartment	
	Properties	
	Units	Sq. Ft.
Same Store Properties at December 31, 2017	275	70,117
2016 acquisitions	4	573
2018 dispositions	(5)	(1,292)
Lease-up properties stabilized	7	2,292
Other	—	31
Same Store Properties at December 31, 2018	281	71,721

	Year Ended December 31, 2018	
	Apartment	
	Properties	
	Units	Sq. Ft.
Same Store	281	71,721
Non-Same Store:		
2018 acquisitions	5	1,461
2017 acquisitions – stabilized	2	437
2017 acquisitions – not stabilized	2	510
Properties removed from same store (1)	2	356
Master-Leased property (2)	1	162
Lease-up properties not yet stabilized (3)	11	3,889
Other	1	1
Total Non-Same Store	24	6,816
Unconsolidated properties	2	945
Total Properties and Apartment Units	307	79,482

Note: Properties are considered “stabilized” when they have achieved 90% occupancy for three consecutive months. Properties are included in Same Store when they are stabilized for all of the current and comparable periods presented.

Note: During the year ended December 31, 2018, the Company closed down a garage (CRP Sports Garage in Boston, Massachusetts) and began its demolition as it starts the development of West End Tower on the site. As a result, the garage was removed from the same store portfolio, which had no impact on the apartment unit or property count for the year ended December 31, 2018.

- (1) Consists of two properties which were removed from the same store portfolio as discussed further below:
 - a. Playa Pacifica in Hermosa Beach, California containing 285 apartment units was removed from the same store portfolio in the first quarter of 2015 due to a major renovation in which significant portions of the property were taken offline for extended time periods. As of December 31, 2018 and 2017, Playa Pacifica had an occupancy of 97.9% and 94.4%, respectively. Playa Pacifica remains in non-same store for the year ended December 31, 2018 as the property did not achieve greater than 90% occupancy for all of the current and comparable periods presented.
 - b. Acton Courtyard in Berkeley, California containing 71 apartment units was removed from the same store portfolio in the third quarter of 2016 due to an affordable housing dispute which required significant portions of the property to be vacant for an extended re-leasing period. As of December 31, 2018 and 2017, Acton Courtyard had an occupancy of 90.1% and 91.5%, respectively. Acton Courtyard remains in non-same store for the year ended December 31, 2018 as the property did not achieve greater than 90% occupancy for all of the current and comparable periods presented.
- (2) Consists of one property containing 162 apartment units that is wholly owned by the Company where the entire project is master leased to a third party corporate housing provider. Effective February 1, 2018, the Company took over management of one of its master-leased properties containing 94 apartment units located in the Boston market. Also, effective April 2, 2018, the Company took over management of one of its other master-leased properties containing 597 apartment units located in the Los Angeles market.
- (3) Consists of properties in various stages of lease-up and properties where lease-up has been completed but the properties were not stabilized for the comparable periods presented. Also includes the two master-leased properties noted above.

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The following table provides comparative same store results and statistics for the 2018 Same Store Properties:

2018 vs. 2017

Same Store Results/Statistics for 71,721 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics Average			
	Revenues	Expenses	NOI	Rental	Physical		
				Rate	Occupancy	Turnover	
	(1)	(2)	(3)				
2018	\$2,363,491	\$705,890	\$1,657,601	\$2,748	96.2	% 51.1	%
2017	\$2,311,240	\$681,198	\$1,630,042	\$2,693	96.0	% 53.4	%
Change	\$52,251	\$24,692	\$27,559	\$55	0.2	% (2.3	%)
Change	2.3	% 3.6	% 1.7	% 2.0	%		

Note: Same store revenues for all leases are reflected on a straight line basis in accordance with GAAP for the current and comparable periods.

- (1) Average Rental Rate – Total residential rental revenues reflected on a straight-line basis in accordance with GAAP divided by the weighted average occupied apartment units for the reporting period presented.
- (2) Physical Occupancy – The weighted average occupied apartment units for the reporting period divided by the average of total apartment units available for rent for the reporting period.
- (3) Turnover – Total residential move-outs (including inter-property and intra-property transfers) divided by total residential apartment units.

The following tables present reconciliations of operating income per the consolidated statements of operations to NOI, along with rental income, operating expenses and NOI per the consolidated statements of operations allocated between same store and non-same store results for the 2018 Same Store Properties (amounts in thousands):

	Year Ended December	
	31, 2018	2017
Operating income	\$858,560	\$847,471
Adjustments:		
Fee and asset management revenue	(753)	(717)
Property management	92,485	85,493
General and administrative	53,813	52,224

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Depreciation	785,725	743,749
Impairment	702	1,693
Total NOI	\$1,790,532	\$1,729,913
Rental income:		
Same store	\$2,363,491	\$2,311,240
Non-same store/other	214,190	159,449
Total rental income	2,577,681	2,470,689
Operating expenses:		
Same store	705,890	681,198
Non-same store/other	81,259	59,578
Total operating expenses	787,149	740,776
NOI:		
Same store	1,657,601	1,630,042
Non-same store/other	132,931	99,871
Total NOI	\$1,790,532	\$1,729,913

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The Company anticipates the following same store results for the full year ending December 31, 2019, which assumptions are based on current expectations and are forward-looking:

2019 Same Store Assumptions	
Physical Occupancy	96.2%
Revenue change	2.2% to 3.2%
Expense change	3.5% to 4.5%
NOI change	1.5% to 3.0%

Same store revenues increased 2.3% during the year ended December 31, 2018 as compared to the same period in 2017, which was ahead of our original expectations and consistent with our most recent guidance that was provided in October 2018, due to gains in occupancy of 0.2%, continued low turnover and strong renewals. The Company's primary goal in 2018 was to focus on providing exceptional customer service in order to retain existing residents to drive strong occupancy and renewal rate growth which it achieved at 4.9% for the year ended December 31, 2018 as compared to the same period in 2017. Same store turnover declined by 2.3% for the year ended December 31, 2018 as compared to the same period in 2017. The Company's primary focus for 2019 will continue to be retaining existing residents and maintaining strong occupancy. Additionally, in many markets we expect to achieve improved new lease growth, albeit only modestly better relative to 2018. We currently estimate same store revenues to increase in a range from 2.2% to 3.2% for 2019 as compared to 2018. Our outlook for 2019 is based on an expectation that continued economic growth will create the demand to absorb the elevated levels of new supply in many of our markets. All of our markets, with the exception of Seattle and Orange County, are projected to deliver better same store revenue growth in 2019 as compared to 2018.

Washington D.C. showed above average job growth at the end of 2018, which aided the absorption of elevated new supply, and occupancy rates remained high throughout the year. However, same store revenues increased 1.0% during the year ended December 31, 2018 compared to the same period in 2017, which was consistent with our original expectations but slightly below our most recent guidance that was provided in October 2018. In 2019, we expect to see a slight decline in occupancy rates and consistent new lease and renewal rates. We expect to produce same store revenue growth of approximately 1.4% in this market in 2019. This expected 0.40% improvement over 2018 is almost entirely driven by growth already in place from existing residents given less ability to raise rents due to elevated levels of supply.

In the New York market, we anticipated that elevated deliveries of new luxury supply would have an impact on our ability to raise rents and would require us to issue meaningful rent concessions. While we were impacted by new supply, stronger demand for our properties led to increased same store occupancy levels and significantly fewer rent concessions for the year ended December 31, 2018 than we expected. As a result, same store revenues increased 0.8% for the year ended December 31, 2018 as compared to the same period in 2017, which was higher than both our

original expectations and our most recent guidance that was provided in October 2018. With new competitive supply expected to be lower in 2019, similar occupancy rates, strong renewal and new lease rates and continued strong demand anticipated in the market, we expect to produce same store revenue growth of approximately 1.8% in this market in 2019.

Boston continues to steadily absorb new supply as a result of strong job growth in the biotechnology and business sectors. Same store revenues increased 2.5% for the year ended December 31, 2018 as compared to the same period in 2017, which was higher than our original guidance and slightly higher than our most recent guidance provided in October 2018, due to stronger occupancy rates and renewal increases. With supply pressures easing in the near-term, we expect to produce same store revenue growth of approximately 2.8% in this market in 2019.

We have a continued cautious outlook for Seattle as the market has decelerated as anticipated due to significant supply in the urban core. Same store revenues increased 2.8% for the year ended December 31, 2018 as compared to the same period in 2017, which was below both our original expectations and our most recent guidance provided in October 2018. Job growth is expected to be strong in 2019 and we expect a slight improvement in occupancy and new lease rates, offset by lower renewal rate growth. We also expect new supply to remain elevated in this market in 2019. We therefore expect to produce same store revenue growth of approximately 2.0% in this market in 2019.

San Francisco continues to perform better than expected as a result of solid job growth and strong demand driving occupancy, new lease growth and renewal rates. The market showed positive trends and is producing wage growth driven by technology company expansions and investments. As a result, same store revenues increased 2.9% for the year ended December 31, 2018 as compared to the same period in 2017, which was above our original expectations and consistent with our most recent guidance provided in October 2018. In 2019, we expect the elevated supply levels to continue to be absorbed due to economic and job expansion in this market. We expect to produce same store revenue growth of approximately 3.4% in this market in 2019.

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Los Angeles continues to experience new supply, but the impact of this supply has been somewhat delayed due to labor shortages pushing deliveries of new units into 2019. Strong demand and, to some extent, these delays in deliveries have led to occupancy, renewals and new lease rates that exceeded our original expectations. Same store revenues increased 3.6% for the year ended December 31, 2018 as compared to the same period in 2017, which was above our original expectations and consistent with our most recent guidance provided in October 2018. We believe job growth will continue to be strong and absorb the incoming new supply in 2019. We therefore expect to produce same store revenue growth of approximately 3.8% in this market in 2019.

During the first half of the year, Orange County experienced pressure on average rental rates and occupancy due to elevated supply within the Irvine area which was offset by strong renewal rates. Same store revenues increased 3.5% for the year ended December 31, 2018 as compared to the same period in 2017, which was below our original expectations and slightly below our most recent guidance provided in October 2018. Job growth has been slowing in this market, but the overall outlook for 2019 remains positive. We believe renewal increases will be slightly lower and therefore expect to produce same store revenue growth of approximately 3.1% in this market in 2019.

In the San Diego market, we experienced supply pressure in the downtown area, but military spending remains strong. Same store revenues increased 3.9% for the year ended December 31, 2018 as compared to the same period in 2017, which was slightly below both our original expectations and our most recent guidance provided in October 2018. We believe occupancy and new lease rates will remain similar in 2019. We therefore expect to produce same store revenue growth of approximately 3.9% in this market in 2019.

During the second half of 2018, the Company acquired two apartment properties in Denver. While these properties are not currently within our same store portfolio, these properties are performing consistent with our expectations.

The following table provides comparative same store operating expenses for the 2018 Same Store Properties:

2018 vs. 2017

Same Store Operating Expenses for 71,721 Same Store Apartment Units

\$ in thousands

	Actual 2018	Actual 2017	\$ Change	% Change	% of Actual 2018 Operating Expenses	
Real estate taxes	\$297,734	\$287,999	\$9,735	3.4 %	42.2 %	
On-site payroll (1)	156,859	150,924	5,935	3.9 %	22.2 %	

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Utilities (2)	95,761	91,630	4,131	4.5	%	13.6	%
Repairs and maintenance (3)	90,424	85,685	4,739	5.5	%	12.8	%
Insurance	18,272	17,359	913	5.3	%	2.6	%
Leasing and advertising	9,959	9,726	233	2.4	%	1.4	%
Other on-site operating expenses (4)	36,881	37,875	(994)	(2.6	%)	5.2	%
Same store operating expenses	\$705,890	\$681,198	\$24,692	3.6	%	100.0	%

- (1) On-site payroll – Includes payroll and related expenses for on-site personnel including property managers, leasing consultants and maintenance staff.
- (2) Utilities – Represents gross expenses prior to any recoveries under the Resident Utility Billing System (“RUBS”). Recoveries are reflected in rental income.
- (3) Repairs and maintenance – Includes general maintenance costs, apartment unit turnover costs including interior painting, routine landscaping, security, exterminating, fire protection, snow removal, elevator, roof and parking lot repairs and other miscellaneous building repair and maintenance costs.
- (4) Other on-site operating expenses – Includes ground lease costs and administrative costs such as office supplies, telephone and data charges and association and business licensing fees.

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Same store expenses increased 3.6% during the year ended December 31, 2018 as compared to the same period in 2017, which was near the low end of our original expectations and slightly lower than our most recent guidance provided in October 2018. The full year 2018 results were primarily due to the following items:

Real estate taxes increased 3.4% for the full year 2018 as compared to the same period in 2017, which was significantly lower than our original expectations and lower than our most recent expectations provided in October 2018, due primarily to better than anticipated appeal results;

Payroll costs increased 3.9% for the full year 2018 as compared to the same period in 2017, which was significantly lower than our original expectations but slightly higher than our most recent expectations provided in October 2018. Wage pressures, particularly with maintenance staff, was partially offset by favorable medical reserve adjustments in the current year;

Utilities increased 4.5% for the full year 2018 as compared to the same period in 2017, which was higher than our original expectations but slightly lower than our most recent expectations provided in October 2018. Increases were due primarily to higher commodity costs for electricity, natural gas and heating oil in 2018, after enjoying several years of declining rates, as well as adverse winter weather in the Northeast in the first quarter of 2018; and

Repairs and maintenance increased 5.5% for the full year 2018 as compared to the same period in 2017, which was higher than our expectations, due primarily to wage pressure on contract labor throughout the year, particularly in Los Angeles, and higher than usual repairs stemming from adverse weather in the fourth quarter of 2018.

We anticipate same store expenses to increase in a range from 3.5% to 4.5% for 2019 as compared to 2018 primarily due to the following items:

Real estate taxes are estimated to increase between 3.75% and 4.75% due primarily to lower anticipated refunds from appeals in 2019 compared to 2018 and the 421-a tax abatement benefits continuing to burn-off in New York;

Payroll costs are estimated to increase approximately 4.0% to 5.0% primarily due to expected higher on-site wages due to competition from new supply and a continued focus on retaining our current skilled employees; and

Utilities are estimated to increase between 1.0% and 3.0% primarily due to the anticipated normalization of commodity costs for electricity, natural gas and heating oil as compared to 2018 and continued sustainability investments in lighting and co-generation.

Same store NOI increased 1.7% for the full year 2018 as compared to the same period in 2017, which was higher than our original expectations and consistent with our most recent guidance provided in October 2018. The Company anticipates same store NOI growth of approximately 1.5% to 3.0% for the full year 2019 as a result of the above same store revenue and expense expectations.

See also Note 17 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

Non-Same Store/Other Results

Non-same store/other NOI results for the year ended December 31, 2018 increased approximately \$33.1 million compared to the same period of 2017 and consist primarily of properties acquired in calendar years 2017 and 2018, operations from the Company's development properties and operations prior to disposition from 2017 and 2018 sold properties. This difference is due primarily to:

- A positive impact of higher NOI from development and newly stabilized development properties in lease-up of \$35.1 million;
- A positive impact of higher NOI from properties acquired in 2017 and 2018 of \$28.1 million;
- A positive impact of higher NOI from other non-same store properties (including one current and two former master leased properties) of \$1.1 million; and

- A negative impact of lost NOI from 2017 and 2018 dispositions of \$31.6 million.

The Company's guidance assumes consolidated rental acquisitions of \$700.0 million and consolidated rental dispositions of \$700.0 million and assumes that the Acquisition Cap Rate will be 0.25% lower than the Disposition Yield for the full year ending December 31, 2019. The Company did not budget any development starts during the year ending December 31, 2019. We currently

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budget spending approximately \$165.0 million on development costs during the year ending December 31, 2019, primarily for projects currently under construction. We assume that this capital will be primarily sourced with excess operating cash flow, future debt offerings and borrowings on our revolving credit facility and/or commercial paper program. These 2019 assumptions are based on current expectations and are forward-looking.

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017 and the year ended December 31, 2017 to the year ended December 31, 2016

For the year ended December 31, 2018, the Company reported diluted earnings per share/unit of \$1.77 compared to \$1.63 per share/unit for the year ended December 31, 2017. The difference is primarily due to approximately \$0.26 per share/unit in higher gains on property sales and \$0.16 per share/unit in higher property NOI in 2018 as compared to 2017, partially offset by \$0.08 per share/unit in higher debt extinguishment costs, \$0.05 per share/unit in lower gains on sales of non-operating assets and \$0.11 per share/unit in higher depreciation expense in 2018 compared to 2017. For the year ended December 31, 2017, the Company reported diluted earnings per share/unit of \$1.63 compared to \$11.68 per share/unit for the year ended December 31, 2016. The difference is primarily due to approximately \$10.16 per share/unit in higher gains on property sales and \$0.14 per share/unit in higher gains on sales of non-operating assets in 2016 compared to 2017 as a direct result of the significant sales activity in 2016 compared to 2017, partially offset by \$0.29 per share/unit in higher debt extinguishment costs incurred in 2016 as compared to 2017.

For the year ended December 31, 2018, consolidated rental income increased 4.3%, consolidated operating expenses (comprised of property and maintenance and real estate taxes and insurance) increased 6.3% and consolidated NOI increased 3.5% when compared to the year ended December 31, 2017. The increase in NOI is primarily a result of the Company's improved NOI from same store and lease-up properties. For the year ended December 31, 2017, consolidated rental income increased 2.0%, consolidated operating expenses (comprised of property and maintenance and real estate taxes and insurance) increased 2.3% and consolidated NOI increased 1.9% when compared to the year ended December 31, 2016. The increase in NOI is primarily a result of the Company's improved NOI from same store and lease-up properties, partially offset by dilution from disposition activity.

Fee and asset management revenues decreased approximately \$2.9 million or 79.9% during the year ended December 31, 2017 as compared to 2016, primarily as a result of lower revenue earned on management of the Company's military housing ventures at Joint Base Lewis McChord due to the sale of the Company's entire interest in the management contracts and related rights associated with these ventures in the second quarter of 2016.

Property management expenses include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses increased approximately \$7.0 million or 8.2% and approximately \$3.5 million or 4.2% during the year ended December 31, 2018 as compared to 2017 and the year ended December 31, 2017 as compared to 2016, respectively. The increase is primarily attributable to increases in payroll-related costs, legal and professional fees and computer operations. The Company anticipates that property management expenses will approximate \$96.0 million to \$98.0 million for the year ending December 31, 2019.

General and administrative expenses, which include corporate operating expenses, increased approximately \$1.6 million or 3.0% during the year ended December 31, 2018 as compared to 2017 primarily due to an increase in payroll-related costs. These expenses decreased \$5.6 million or 9.7% during the year ended December 31, 2017 as

compared to 2016 primarily due to a decrease in payroll-related costs. The Company anticipates that general and administrative expenses will approximate \$49.0 million to \$51.0 million for the year ending December 31, 2019.

Depreciation expense, which includes depreciation on non-real estate assets, increased approximately \$42.0 million or 5.6% and approximately \$38.1 million or 5.4% during the year ended December 31, 2018 as compared to 2017 and the year ended December 31, 2017 as compared to 2016, respectively. The increase from the year ended December 31, 2018 as compared to 2017 is primarily a result of additional depreciation expense on properties acquired in 2017 and 2018 and development properties placed in service in 2017 and 2018, partially offset by lower depreciation from properties sold in 2017 and 2018. The increase from the year ended December 31, 2017 as compared to 2016 is primarily due to additional depreciation expense on properties acquired in 2017 and development properties placed in service in 2016 and 2017, partially offset by lower depreciation from properties sold in 2016 and 2017.

Interest and other income increased approximately \$9.2 million during the year ended December 31, 2018 as compared to 2017, primarily due to an \$8.4 million increase in insurance/litigation settlement proceeds during 2018 compared to the prior year. Interest and other income decreased approximately \$59.6 million or 90.7% during the year ended December 31, 2017 as compared to 2016, primarily due to the approximate \$52.4 million gain from the sale of the Company's entire interest in the management contracts and related rights associated with the military housing ventures at Joint Base Lewis McChord and approximate \$6.0 million gain from the sale of 421-a real estate tax certificates during the year ended December 31, 2016, which did not occur in 2017. The Company anticipates that interest and other income will approximate \$1.2 million to \$1.7 million for the year ending December 31, 2019, excluding certain non-comparable insurance/litigation settlement proceeds.

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Other expenses increased approximately \$12.1 million during the year ended December 31, 2018 as compared to 2017, primarily due to an increase in expenses related to insurance, litigation and environmental settlements and advocacy contributions in 2018 as compared to 2017. Other expenses decreased approximately \$5.2 million or 50.0% during the year ended December 31, 2017 as compared to 2016, primarily due to higher litigation/environmental reserve and/or settlement costs in 2016, which did not occur at the same levels in 2017, as well as a decrease in annual transaction costs of approximately \$1.5 million in 2017.

Interest expense, including amortization of deferred financing costs, increased approximately \$32.3 million or 8.2% during the year ended December 31, 2018 as compared to 2017, primarily as a result of \$29.5 million in higher debt extinguishment costs in 2018 as compared to 2017. Interest expense, including amortization of deferred financing costs, decreased approximately \$102.5 million or 20.7% during the year ended December 31, 2017 as compared to 2016, primarily as a result of \$109.9 million in lower debt extinguishment costs in 2017 as compared to 2016. The effective interest cost on all indebtedness, excluding debt extinguishment costs/prepayment penalties, was 4.32%, 4.44% and 4.68% for the years ended December 31, 2018, 2017 and 2016, respectively. The Company capitalized interest of approximately \$6.3 million, \$26.3 million and \$51.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company anticipates that interest expense, excluding debt extinguishment costs/prepayment penalties, will approximate \$374.0 million to \$382.5 million and capitalized interest will approximate \$4.5 million to \$8.5 million for the year ending December 31, 2019.

The 2019 guidance/projections provided above are based on current projections and are forward-looking.

Income (loss) from investments in unconsolidated entities decreased approximately \$8.2 million during the year ended December 31, 2017 as compared to 2016, primarily due to a gain on the sale of one unconsolidated apartment property totaling \$8.8 million in 2016 that did not occur in 2017.

Net gain on sales of real estate properties increased approximately \$99.8 million or 63.5% during the year ended December 31, 2018 as compared to 2017, primarily as a result of the sale of five consolidated apartment properties for a sales price of approximately \$706.1 million during the year ended December 31, 2018 as compared to five consolidated apartment properties for a sales price of approximately \$355.0 million sold during the year ended December 31, 2017. Net gain on sales of real estate properties decreased approximately \$3.9 million or 96.1% during the year ended December 31, 2017 as compared to 2016, primarily as a result of 98 consolidated property sales during the year ended December 31, 2016 (including the Starwood Portfolio), all of which did not meet the criteria for reporting discontinued operations.

Net gain on sales of land parcels decreased approximately \$18.2 million or 94.9% as compared to 2017 due to the gain on sale of one land parcel with a low basis in the prior year compared to the gain on sale of one land parcel in the current year. Net gain on sales of land parcels increased approximately \$3.4 million or 21.8% due to the gain on sale of one land parcel with a low basis during the year ended December 31, 2017 as compared to the gain on sales of four land parcels during the year ended December 31, 2016.

Liquidity and Capital Resources

Short-Term Liquidity and Cash Proceeds

The Company generally expects to meet its short-term liquidity requirements, including capital expenditures related to maintaining its existing properties and scheduled unsecured note and mortgage note repayments, through its working capital, net cash provided by operating activities and borrowings under the Company's revolving credit facility and commercial paper program. Under normal operating conditions, the Company considers its cash provided by operating activities to be adequate to meet operating requirements and payments of distributions.

As of January 1, 2018, the Company had approximately \$50.6 million of cash and cash equivalents, approximately \$50.1 million of restricted deposits and the amount available on its revolving credit facility was \$1.69 billion. After taking into effect the various transactions discussed in the following paragraphs and the net cash provided by operating activities, at December 31, 2018, the Company's cash and cash equivalents balance was approximately \$47.4 million, the restricted deposits balance was approximately \$68.9 million and the amount available on its revolving credit facility was \$1.40 billion. See Note 8 in the Notes to Consolidated Financial Statements for further discussion of the availability on the Company's revolving credit facility.

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During the year ended December 31, 2018, the Company generated proceeds from various transactions, which included the following:

• Disposed of five consolidated rental properties and one land parcel, receiving net proceeds of approximately \$691.5 million;

- Issued \$500.0 million of ten-year 3.50% unsecured notes, receiving net proceeds of approximately \$497.0 million before underwriting fees, hedge termination costs and other expenses;
- Issued \$400.0 million of ten-year 4.15% unsecured notes, receiving net proceeds of approximately \$399.3 million before underwriting fees, hedge termination costs and other expenses;

• Reissued \$96.9 million of floating rate tax-exempt mortgage bonds; and

• Issued approximately 1.1 million Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$34.5 million, which were contributed to the capital of the Operating Partnership in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis).

During the year ended December 31, 2018, the above proceeds along with net cash flow from operations and borrowings from the Company's revolving line of credit and commercial paper program were primarily utilized to:

• Acquire five consolidated rental properties for approximately \$708.1 million in cash;

• Invest \$154.4 million primarily in development projects; and

• Repay \$1.4 billion of mortgage loans (inclusive of scheduled principal repayments) and incur prepayment penalties of approximately \$22.1 million;

Credit Facility and Commercial Paper Program

In November 2016, the Company replaced its existing \$2.5 billion facility with a \$2.0 billion unsecured revolving credit facility maturing January 10, 2022. The Company has the ability to increase available borrowings by an additional \$750.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 0.825%), or based on bids received from the lending group, and the Company pays an annual facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating.

In February 2015, the Company entered into an unsecured commercial paper note program in the United States. The Company may borrow up to a maximum of \$500.0 million under this program subject to market conditions. The notes will be sold under customary terms in the United States commercial paper note market and will rank pari passu with all of the Company's other unsecured senior indebtedness. As of February 15, 2019, there was a balance of \$500.0 million in principal outstanding on the commercial paper program.

As of February 15, 2019, \$250.0 million was outstanding under the revolving credit facility and \$6.7 million was restricted/dedicated to support letters of credit. In addition, the Company limits its utilization of the facility in order to maintain liquidity to support its \$500.0 million commercial paper program along with certain other obligations. As a result, the Company had approximately \$1.15 billion available under the facility at February 15, 2019. This facility may, among other potential uses, be used to fund property acquisitions, costs for certain properties under development and short-term liquidity requirements.

Dividend Policy

Beginning in 2018, the Company no longer determines its dividends/distributions as a fixed percentage of estimated Normalized FFO but instead adopted a more conventional policy based on actual and projected financial conditions,

the Company's actual and projected liquidity and operating results, the Company's projected cash needs for capital expenditures and other investment activities and such other factors as the Company's Board of Trustees deems relevant. The Company declared a dividend/distribution for each quarter in 2018 of \$0.54 per share/unit, an annualized increase of 7.2% over the amount paid in 2017. This policy change is supported by the Company's strong growth in property operations since the recent economic downturn and a significant reduction in its development activity resulting in a material increase in available cash flow. All future dividends/distributions remain subject to the discretion of the Company's Board of Trustees. The Company's 2018 operating cash flow was sufficient to cover capital expenditures and regular dividends/distributions.

Total dividends/distributions paid in January 2019 amounted to \$206.6 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the fourth quarter ended December 31, 2018.

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Long-Term Financing and Capital Needs

The Company expects to meet its long-term liquidity requirements, such as lump sum unsecured note and mortgage debt maturities, property acquisitions, financing of construction and development activities through the issuance of secured and unsecured debt and equity securities, including additional OP Units, proceeds received from the disposition of certain properties and joint ventures and cash generated from operations after all distributions. In addition, the Company has significant unencumbered properties available to secure additional mortgage borrowings in the event that unsecured capital is unavailable or the cost of alternative sources of capital is too high. The fair value of and cash flow from these unencumbered properties are in excess of the requirements the Company must maintain in order to comply with covenants under its unsecured notes and line of credit. Of the \$26.5 billion in investment in real estate on the Company's balance sheet at December 31, 2018, \$22.1 billion or 83.5% was unencumbered. However, there can be no assurances that these sources of capital will be available to the Company in the future on acceptable terms or otherwise.

EQR issues public equity from time to time and guarantees certain debt of the Operating Partnership. EQR does not have any indebtedness as all debt is incurred by the Operating Partnership.

The Company's total debt summary and debt maturity schedules as of December 31, 2018 are as follows:

Debt Summary as of December 31, 2018

(\$ in thousands)

	Amounts (1)	% of Total		Weighted Average Rates (1)	Weighted Average Maturities (years)
Secured	\$2,385,470	27.1 %		4.15 %	6.7
Unsecured	6,432,469	72.9 %		4.10 %	9.3
Total	\$8,817,939	100 %		4.12 %	8.6
Fixed Rate Debt:					
Secured – Conventional	\$1,885,407	21.4 %		4.61 %	4.3
Unsecured – Public	5,485,884	62.2 %		4.37 %	10.9
Fixed Rate Debt	7,371,291	83.6 %		4.45 %	9.2
Floating Rate Debt:					
Secured – Conventional	6,357	0.1 %		1.93 %	5.6
Secured – Tax Exempt	493,706	5.6 %		2.14 %	15.6
Unsecured – Public (2)	447,402	5.1 %		2.84 %	0.5
Unsecured – Revolving Credit Facility	—	—		2.97 %	3.0
Unsecured – Commercial Paper Program	499,183	5.6 %		2.35 %	—
Floating Rate Debt	1,446,648	16.4 %		2.46 %	5.8
Total	\$8,817,939	100.0 %		4.12 %	8.6

- (1) Net of the effect of any derivative instruments. Weighted average rates are for the year ended December 31, 2018.
- (2) Fair value interest rate swaps convert the \$450.0 million 2.375% notes due July 1, 2019 to a floating interest rate of 90-Day LIBOR plus 0.61%.

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Debt Maturity Schedule as of December 31, 2018

(\$ in thousands)

Year	Rate		Total	% of Total	Weighted Average Rates on		Weighted Average Rates on	
	Fixed Rate	Floating Rate			Fixed Rate	Total	Fixed Rate	Total
2019	\$6,731	\$968,223	(2)\$974,954	10.9 %	3.73 %	2.86 %		
2020	1,128,592	(3) 700	1,129,292	12.7 %	5.20 %	5.20 %		
2021	927,506	600	928,106	10.4 %	4.64 %	4.64 %		
2022	265,341	800	266,141	3.0 %	3.26 %	3.26 %		
2023	1,326,800	4,800	1,331,600	14.9 %	3.74 %	3.73 %		
2024	1,272	10,900	12,172	0.1 %	4.79 %	2.13 %		
2025	451,334	13,200	464,534	5.2 %	3.38 %	3.33 %		
2026	593,424	14,500	607,924	6.8 %	3.59 %	3.54 %		
2027	401,468	15,600	417,068	4.7 %	3.26 %	3.20 %		
2028	901,540	48,580	950,120	10.7 %	3.79 %	3.69 %		
2029+	1,423,430	407,420	1,830,850	20.6 %	4.41 %	3.83 %		
Subtotal	7,427,438	1,485,323	8,912,761	100.0 %	4.11 %	3.86 %		
Deferred Financing Costs and								
Unamortized (Discount)	(56,147)	(38,675)	(94,822)	N/A	N/A	N/A		
Total	\$7,371,291	\$1,446,648	\$8,817,939	100.0 %	4.11 %	3.86 %		

(1) Net of the effect of any derivative instruments. Weighted average rates are as of December 31, 2018.

(2) Includes \$500.0 million in principal outstanding on the Company's commercial paper program.

(3) Includes a \$500.0 million 5.78% mortgage loan with a maturity date of July 1, 2020 that can be prepaid at par beginning July 1, 2019. The Company currently intends to prepay this mortgage loan on July 1, 2019.

See Note 8 in the Notes to Consolidated Financial Statements for additional discussion of debt at December 31, 2018.

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2018 is presented in the following table. The Company calculates the equity component of its market capitalization as the sum of (i) the total outstanding Common Shares and assumed conversion of all Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preferred shares outstanding.

Equity Residential

Capital Structure as of December 31, 2018

(Amounts in thousands except for share/unit and per share amounts)

Secured Debt		\$2,385,470	27.1 %	
Unsecured Debt		6,432,469	72.9 %	
Total Debt		8,817,939	100.0%	25.8 %
Common Shares (includes Restricted Shares)	369,405,161		96.4 %	
Units (includes OP Units and Restricted Units)	13,904,035		3.6 %	
Total Shares and Units	383,309,196		100.0%	
Common Share Price at December 31, 2018	\$66.01			
		25,302,240	99.9 %	
Perpetual Preferred Equity		37,280	0.1 %	
Total Equity		25,339,520	100.0%	74.2 %
Total Market Capitalization		\$34,157,459		100.0%

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2018 is presented in the following table. The Operating Partnership calculates the equity component of its market capitalization as the sum of (i) the total outstanding Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preference units outstanding.

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ERP Operating Limited Partnership

Capital Structure as of December 31, 2018

(Amounts in thousands except for unit and per unit amounts)

Secured Debt	\$2,385,470	27.1 %	
Unsecured Debt	6,432,469	72.9 %	
Total Debt	8,817,939	100.0%	25.8 %
Total Outstanding Units	383,309,196		
Common Share Price at December 31, 2018	\$66.01		
	25,302,240	99.9 %	
Perpetual Preference Units	37,280	0.1 %	
Total Equity	25,339,520	100.0%	74.2 %
Total Market Capitalization	\$34,157,459		100.0%

In September 2009, EQR 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). EQR may, but shall have no obligation to, sell Common Shares through the ATM share offering program in amounts and at times to be determined by EQR. Actual sales will depend on a variety of factors to be determined by EQR from time to time, including (among others) market conditions, the trading price of EQR’s Common Shares and determinations of the appropriate sources of funding for EQR. The program currently has a maturity of June 28, 2019. EQR has the authority to issue 13.0 million shares but has not issued any shares under this program since September 2012. Through February 15, 2019, EQR has cumulatively issued approximately 16.7 million Common Shares at an average price of \$48.53 per share for total consideration of approximately \$809.9 million.

Depending on its analysis of market prices, economic conditions and other opportunities for the investment of available capital, EQR may repurchase its Common Shares pursuant to its existing share repurchase program authorized by the Board of Trustees. The Company may repurchase up to 13.0 million Common Shares under this program. No open market repurchases have occurred since 2008 and no repurchases of any kind have occurred since February 2014. As of February 15, 2019, EQR has remaining authorization to repurchase up to 13.0 million of its shares.

EQR and ERPOP currently have an active universal shelf registration statement for the issuance of equity and debt securities that automatically became effective upon filing with the SEC on June 28, 2016 and expires on June 28, 2019. Per the terms of ERPOP’s partnership agreement, EQR contributes the net proceeds of 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) or preference units (on a one-for-one preferred share per preference unit basis).

ERPOP’s long-term senior debt ratings and short-term commercial paper ratings as well as EQR’s long-term preferred equity ratings, which all have a stable outlook, as of February 15, 2019 are as follows:

Standard &

	Poor's	Moody's Fitch	
ERPOP's long-term senior debt rating	A-	A3	A
ERPOP's short-term commercial paper rating	A-2	P-2	F-1
EQR's long-term preferred equity rating	BBB	Baa1	BBB+

See Note 18 in the Notes to Consolidated Financial Statements for discussion of the events, if any, which occurred subsequent to December 31, 2018.

Capitalization of Fixed Assets and Improvements to Real Estate

Our policy with respect to capital expenditures is generally to capitalize expenditures that improve the value of the property or extend the useful life of the component asset of the property. We track improvements to real estate in three major categories and several subcategories:

Replacements (inside the apartment unit). These include:

- flooring such as carpets, hardwood, vinyl or tile;
- appliances;

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•mechanical equipment such as individual furnace/air units, hot water heaters, etc;
 •furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors, countertops, etc; and
 •blinds.

All replacements are depreciated over a five to ten-year estimated useful life. We expense as incurred all make-ready maintenance and turnover costs such as cleaning, interior painting of individual apartment units and the repair of any replacement item noted above.

Building improvements (outside the apartment unit). These include:

•roof replacement and major repairs;
 •paving or major resurfacing of parking lots, curbs and sidewalks;
 •amenities and common areas such as pools, exterior sports and playground equipment, lobbies, clubhouses, laundry rooms, alarm and security systems and offices;
 •major building mechanical equipment systems;
 •interior and exterior structural repair and exterior painting and siding;
 •major landscaping and grounds improvement; and
 •vehicles and office and maintenance equipment.

All building improvements are depreciated over a five to fifteen-year estimated useful life. We capitalize building improvements and upgrades only if the item: (i) exceeds \$2,500 (selected projects must exceed \$10,000); (ii) extends the useful life of the asset; and (iii) improves the value of the asset.

The third major category is renovations, which primarily consists of expenditures for kitchens and baths designed to reposition the apartment units/properties for higher rental levels in their respective markets. All renovation expenditures are depreciated over a ten-year estimated useful life.

For the year ended December 31, 2018, our actual capital expenditures to real estate included the following (amounts in thousands except for apartment unit and per apartment unit amounts):

Capital Expenditures to Real Estate

For the Year Ended December 31, 2018

	Same Stores Properties (5)	Non-Same Store Properties/Other (6)	Total	Same Store Avg. Per Apartment Unit
Total Apartment Units (1)	71,721	6,816	78,537	
Building Improvements (2)	\$ 100,382	\$ 3,830	\$ 104,212	\$ 1,399
Renovation Expenditures (3)	39,431	1,922	41,353	550
Replacements (4)	41,746	1,190	42,936	582
Total Capital Expenditures	\$ 181,559	\$ 6,942	\$ 188,501	\$ 2,531

- (1) Total Apartment Units – Excludes 945 unconsolidated apartment units for which capital expenditures to real estate are self-funded and do not consolidate into the Company’s results.
- (2) Building Improvements – Includes roof replacement, paving, building mechanical equipment systems, exterior siding and painting, major landscaping, furniture, fixtures and equipment for amenities and common areas, vehicles and office and maintenance equipment.
- (3) Renovation Expenditures – Apartment unit renovation costs (primarily kitchens and baths) designed to reposition these units for higher rental levels in their respective markets. Amounts for 2,850 same store apartment units approximated \$13,800 per apartment unit renovated.
- (4) Replacements – Includes appliances, mechanical equipment, fixtures and flooring (including hardwood and carpeting).

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(5) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2017, less properties subsequently sold.

(6) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2017 and 2018, plus any properties in lease-up and not stabilized as of January 1, 2017. Also includes capital expenditures for properties sold.

For the year ended December 31, 2017, our actual capital expenditures to real estate included the following (amounts in thousands except for apartment unit and per apartment unit amounts):

Capital Expenditures to Real Estate

For the Year Ended December 31, 2017

	Same Stores Properties (5)	Non-Same Store Properties/Other (6)	Total	Same Store Avg. Per Apartment Unit
Total Apartment Units (1)	70,117	7,549	77,666	
Building Improvements (2)	\$ 114,162	\$ 3,966	\$ 118,128	\$ 1,628
Renovation Expenditures (3)	44,418	888	45,306	634
Replacements (4)	38,560	613	39,173	550
Total Capital Expenditures	\$ 197,140	\$ 5,467	\$ 202,607	\$ 2,812

(1) Total Apartment Units – Excludes 945 unconsolidated apartment units for which capital expenditures to real estate are self-funded and do not consolidate into the Company's results.

(2) Building Improvements – Includes roof replacement, paving, building mechanical equipment systems, exterior siding and painting, major landscaping, furniture, fixtures and equipment for amenities and common areas, vehicles and office and maintenance equipment.

(3) Renovation Expenditures – Apartment unit renovation costs (primarily kitchens and baths) designed to reposition these units for higher rental levels in their respective markets. Amounts for 3,371 same store apartment units approximated \$13,200 per apartment unit renovated.

(4) Replacements – Includes appliances, mechanical equipment, fixtures and flooring (including hardwood and carpeting).

(5) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2016, less properties subsequently sold.

(6) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2016 and 2017, plus any properties in lease-up and not stabilized as of January 1, 2016. Also includes capital expenditures for properties sold.

The Company estimates that during 2019 it will spend approximately \$2,600 per same store apartment unit or \$190.0 million of total capital expenditures to real estate for same store properties. During 2019, the Company expects to spend approximately \$40.0 million for apartment unit renovation expenditures on approximately 3,000 same store

apartment units at an average cost of approximately \$13,300 per apartment unit renovated. The anticipated total capital expenditures to real estate for same store properties represent approximately the same percentage of same store revenues and a slightly higher cost per unit and absolute dollar amount as compared to 2018. The Company plans to continue the capital expenditures for investment in customer-facing building improvements (leasing offices, fitness centers, common areas, etc.) to enhance the quality of our properties and to protect our competitive position given the new luxury supply opening in many of our markets. We also expect to maintain our elevated spending on sustainability projects and renovation expenditures during 2019. The above assumptions are based on current expectations and are forward-looking.

During the year ended December 31, 2018, the Company's total non-real estate capital additions, such as computer software, computer equipment, and furniture and fixtures and leasehold improvements to the Company's property management offices and its corporate offices, were approximately \$4.5 million. The Company expects to fund approximately \$4.1 million in total non-real estate capital additions in 2019. These anticipated fundings are slightly lower than 2018 and are primarily driven by anticipated hardware and software upgrades to various existing systems during 2019. The above assumption is based on current expectations and is forward-looking.

Capital expenditures to real estate and non-real estate capital additions are generally funded from net cash provided by operating activities and from investment cash flow.

Derivative Instruments

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company seeks to manage these risks by following established risk management policies and procedures including the use of derivatives to hedge interest rate risk on debt instruments. The Company may also use derivatives to manage commodity prices in the daily operations of the business.

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The Company has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, the Company has not sustained a material loss from these instruments nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives it currently has in place.

See Note 9 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at December 31, 2018.

Definitions

The definition of certain terms described above or below are as follows:

• **Acquisition Cap Rate** – NOI that the Company anticipates receiving in the next 12 months (or the year two or three stabilized NOI for properties that are in lease-up at acquisition) less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from \$100-\$450 per apartment unit depending on the age and condition of the asset) divided by the gross purchase price of the asset. The weighted average Acquisition Cap Rate for acquired properties is weighted based on the projected NOI streams and the relative purchase price for each respective property.

• **Development Yield** – NOI that the Company anticipates receiving in the next 12 months following stabilization less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from \$50-\$150 per apartment unit depending on the type of asset) divided by the Total Budgeted Capital Cost of the asset. The weighted average Development Yield for development properties is weighted based on the projected NOI streams and the relative Total Budgeted Capital Cost for each respective property.

• **Disposition Yield** – NOI that the Company anticipates giving up in the next 12 months less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from \$100-\$450 per apartment unit depending on the age and condition of the asset) divided by the gross sale price of the asset. The weighted average Disposition Yield for sold properties is weighted based on the projected NOI streams and the relative sales price for each respective property.

• **Unlevered Internal Rate of Return (“IRR”)** – The Unlevered IRR on sold properties is the compound annual rate of return calculated by the Company based on the timing and amount of: (i) the gross purchase price of the property plus any direct acquisition costs incurred by the Company; (ii) total revenues earned during the Company’s ownership period; (iii) total direct property operating expenses (including real estate taxes and insurance) incurred during the Company’s ownership period; (iv) capital expenditures incurred during the Company’s ownership period; and (v) the gross sales price of the property net of selling costs.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has various unconsolidated interests in certain joint ventures. The Company does not believe that these unconsolidated investments have a materially different impact on its liquidity, cash flows, capital resources, credit or market risk than its consolidated operating and/or other activities. See also Note 6 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company’s investments in partially owned entities. See

also Note 16 in the Notes to Consolidated Financial Statements for discussion regarding the Company's development projects.

The following table summarizes the Company's contractual obligations for the next five years and thereafter as of December 31, 2018:

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Payments Due by Year (in thousands)

Contractual Obligations	2019	2020	2021	2022	2023	Thereafter	Unamortized	
							Cost/Discount	Total
Debt:								
Principal (a)	\$974,954	\$1,129,292	\$928,106	\$266,141	\$1,331,600	\$4,282,668	\$(94,822)	\$8,817,939
Interest (b)	320,384	284,381	248,509	209,014	187,251	1,700,743	—	2,950,282
Operating Leases:								
Minimum Rent Payments (c)	16,718	16,726	16,665	14,500	14,339	953,001	—	1,031,949
Other Long-Term Liabilities:								
Deferred Compensation (d)	803	1,100	1,100	1,100	975	3,810	—	8,888
Total	\$1,312,859	\$1,431,499	\$1,194,380	\$490,755	\$1,534,165	\$6,940,222	\$(94,822)	\$12,809,058

(a) Amounts include aggregate principal payments only.

(b) Amounts include interest expected to be incurred on the Company's secured and unsecured debt based on obligations outstanding at December 31, 2018 and inclusive of capitalized interest. For floating rate debt, the current rate in effect for the most recent payment through December 31, 2018 is assumed to be in effect through the respective maturity date of each instrument.

(c) Minimum basic rent due for various office space the Company leases and fixed base rent due on ground leases for 12 properties.

(d) Estimated payments to the Company's Chairman, Vice Chairman and one former CEO based on actual and estimated retirement dates.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or different presentation of our financial statements.

The Company's significant accounting policies are described in Note 2 in the Notes to Consolidated Financial Statements. These policies were followed in preparing the consolidated financial statements at and for the year ended December 31, 2018.

The Company has identified five significant accounting policies as critical accounting policies. These critical accounting policies are those that have the most impact on the reporting of our financial condition and those requiring significant judgments and estimates. With respect to these critical accounting policies, management believes that the

application of judgments and estimates is consistently applied and produces financial information that fairly presents the results of operations for all periods presented. The five critical accounting policies are:

Acquisition of Investment Properties

The Company allocates the purchase price of properties that meet the definition of an asset acquisition to net tangible and identified intangible assets acquired based on their relative fair values. In making estimates of relative fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the relative fair value of the tangible and intangible assets acquired.

Impairment of Long-Lived Assets

The Company periodically evaluates its long-lived assets, including its investments in real estate, for indicators of impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal and environmental concerns, as well as the Company's ability to hold and its intent with regard to each asset. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment loss is warranted.

Depreciation of Investment in Real Estate

The Company depreciates the building component of its investment in real estate over a 30-year estimated useful life, building improvements over a 5-year to 15-year estimated useful life, both the furniture, fixtures and equipment and replacement components

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over a 5-year to 10-year estimated useful life and the renovations component over a 10-year estimated useful life, all of which are judgmental determinations.

Cost Capitalization

See the Capitalization of Fixed Assets and Improvements to Real Estate section for a discussion of the Company's policy with respect to capitalization vs. expensing of fixed asset/repair and maintenance costs. In addition, the Company capitalizes an allocation of the payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of major capital and/or renovation projects. These costs are reflected on the balance sheets as increases to depreciable property.

For all development projects, the Company uses its professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company capitalizes interest, real estate taxes and insurance and payroll and associated costs for those individuals directly responsible for and who spend their time on development activities, with capitalization ceasing no later than 90 days following issuance of the certificate of occupancy. These costs are reflected on the balance sheets as construction-in-progress for each specific property. The Company expenses as incurred all payroll costs of on-site employees working directly at our properties, except as noted above on our development properties prior to certificate of occupancy issuance and on specific major renovations at selected properties when additional incremental employees are hired.

During the years ended December 31, 2018, 2017 and 2016, the Company capitalized \$13.2 million, \$14.7 million and \$18.7 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Fair Value of Financial Instruments, Including Derivative Instruments

The valuation of financial instruments requires the Company to make estimates and judgments that affect the fair value of the instruments. The Company, where possible, bases the fair values of its financial instruments, including its derivative instruments, on listed market prices and third party quotes. Where these are not available, the Company bases its estimates on current instruments with similar terms and maturities or on other factors relevant to the financial instruments.

Funds From Operations and Normalized Funds From Operations

The following is the Company's and the Operating Partnership's reconciliation of net income to FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units for each of the five years ended December 31, 2018:

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Funds From Operations and Normalized Funds From Operations

(Amounts in thousands)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net income	\$685,192	\$628,381	\$4,480,104	\$908,018	\$658,683
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(2,718)	(2,323)	(16,430)	(3,657)	(2,544)
Preferred/preference distributions	(3,090)	(3,091)	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares/Preference Units	—	—	—	(3,486)	—
Net income available to Common Shares and Units / Units	679,384	622,967	4,460,583	897,518	651,994
Adjustments:					
Depreciation	785,725	743,749	705,649	765,895	758,861
Depreciation – Non-real estate additions	(4,561)	(5,023)	(5,224)	(4,981)	(4,643)
Depreciation – Partially Owned Properties	(3,740)	(4,526)	(3,805)	(4,332)	(4,285)
Depreciation – Unconsolidated Properties	4,451	4,577	4,745	4,920	6,754
Net (gain) loss on sales of unconsolidated entities – operating assets	—	(73)	(8,841)	(100)	(4,902)
Net (gain) loss on sales of real estate properties	(256,810)	(157,057)	(4,044,055)	(335,134)	(212,685)
Noncontrolling Interests share of gain (loss) on sales of real estate properties	(284)	290	14,521	—	—
Discontinued operations:					
Net (gain) loss on sales of discontinued operations	—	—	(43)	—	(179)
Impairment – operating assets	702	—	—	—	—
FFO available to Common Shares and Units / Units (1) (3) (4)	1,204,867	1,204,904	1,123,530	1,323,786	1,190,915
Adjustments:					
Impairment – non-operating assets	—	1,693	—	—	—
Write-off of pursuit costs	4,450	3,106	4,092	3,208	3,607
Debt extinguishment and preferred share redemption (gains) losses	41,335	11,789	121,694	5,704	(1,110)
Non-operating asset (gains) losses	(161)	(18,884)	(73,301)	(18,805)	2,421
Other miscellaneous items	(1,781)	(3,371)	3,635	3,909	613
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$1,248,710	\$1,199,237	\$1,179,650	\$1,317,802	\$1,196,446
FFO (1) (3)	\$1,207,957	\$1,207,995	\$1,126,621	\$1,330,629	\$1,195,060
Preferred/preference distributions	(3,090)	(3,091)	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares/Preference Units	—	—	—	(3,486)	—
	\$1,204,867	\$1,204,904	\$1,123,530	\$1,323,786	\$1,190,915

FFO available to Common Shares and Units / Units (1) (3) (4)					
Normalized FFO (2) (3)	\$1,251,800	\$1,202,328	\$1,182,741	\$1,321,159	\$1,200,591
Preferred/preference distributions	(3,090)	(3,091)	(3,091)	(3,357)	(4,145)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$1,248,710	\$1,199,237	\$1,179,650	\$1,317,802	\$1,196,446

- (1) The National Association of Real Estate Investment Trusts (“Nareit”) defines funds from operations (“FFO”) (April 2002 White Paper) as net income (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales and impairment write-downs of depreciated operating properties, plus depreciation and amortization expense, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The April 2002 White Paper states that gain or loss on sales of property is excluded from FFO for previously depreciated operating properties only.
- (2) Normalized funds from operations (“Normalized FFO”) begins with FFO and excludes:
- the impact of any expenses relating to non-operating asset impairment;
 - pursuit cost write-offs;
 - gains and losses from early debt extinguishment and preferred share redemptions;
 - gains and losses from non-operating assets; and
 - other miscellaneous items.
- (3) The Company believes that FFO and FFO available to Common Shares and Units / Units are helpful to investors as supplemental measures of the operating performance of a real estate company because they are recognized measures of performance by the real estate industry and 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 and FFO available to Common Shares and Units / Units can help compare the operating performance of a company’s real estate between periods or as compared to different companies. The Company also believes that Normalized FFO and Normalized FFO available to Common Shares and Units / Units are helpful to investors as supplemental measures of the operating performance of a real estate company because they allow investors to compare the Company’s operating performance 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, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units do not represent net income, net income available to Common Shares / Units or net cash flows from operating activities in accordance with GAAP. Therefore, FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units should not be exclusively considered as alternatives to net income, net income available to Common Shares / Units or net cash flows from operating activities as determined by GAAP or as a measure of liquidity. The Company’s calculation of FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to

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Common Shares and Units / Units may differ from other real estate companies due to, among other items, variations in cost capitalization policies for capital expenditures and, accordingly, may not be comparable to such other real estate companies.

(4) FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units are calculated on a basis consistent with net income available to Common Shares / Units and reflects adjustments to net income for preferred distributions and premiums on redemption of preferred shares/preference units in accordance with GAAP. The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units are collectively referred to as the “Noncontrolling Interests – Operating Partnership”. Subject to certain restrictions, the Noncontrolling Interests – Operating Partnership may exchange their OP Units for Common Shares on a one-for-one basis.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company’s exposure to changes in interest rates primarily derives from the refinancing of its long-term debt and from its floating interest rate instruments that include its unsecured revolving credit facility, commercial paper program, floating rate tax-exempt debt and fair value hedges that convert fixed rate debt to floating rate debt. Such exposure is primarily driven by changes in U.S. Treasury rates, LIBOR and the SIFMA index as well as rates implicit in commercial paper markets. The Company evaluates various factors including its total debt, the current and future anticipated economic environment and other factors to manage this risk. From time to time, the Company hedges a portion of future long-term debt issuances.

The Company also utilizes certain derivative financial instruments to manage interest rate risk. Derivatives are used to convert floating rate debt to a fixed rate basis or vice versa as well as to partially lock in rates on future debt issuances. Derivatives are used for hedging purposes rather than speculation. The Company does not enter into financial instruments for trading purposes. See also Note 9 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments.

The fair values of the Company’s financial instruments (including such items in the financial statement captions as cash and cash equivalents, other assets, accounts payable and accrued expenses and other liabilities) approximate their carrying or contract values based on their nature, terms and interest rates that approximate current market rates. The fair value of the Company’s mortgage notes payable and unsecured debt (including its commercial paper and line of credit, if applicable) were approximately \$2.4 billion and \$6.5 billion, respectively, at December 31, 2018.

At December 31, 2018, the Company had total outstanding floating rate debt of approximately \$1.4 billion, or 16.4% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 25 basis points (a 10% increase from the Company’s existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$3.6 million. If market rates of interest on all of the floating rate debt permanently decreased by 25 basis points (a 10% decrease from the Company’s existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$3.6 million.

At December 31, 2018, the Company had total outstanding fixed rate debt of approximately \$7.4 billion, or 83.6% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 45 basis points (a 10% increase from the Company’s existing weighted average interest rates), the estimated fair value of the Company’s fixed rate debt would be approximately \$6.7 billion. If market rates of interest permanently decreased by 45 basis points (a 10% decrease from the Company’s existing weighted average interest rates), the estimated fair value of the Company’s fixed rate debt would be approximately \$8.2 billion.

At December 31, 2018, the Company's derivative instruments had a net liability fair value of approximately \$10.1 million. If market rates of interest permanently increased by 27 basis points (a 10% increase from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$0.9 million. If market rates of interest permanently decreased by 27 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net liability fair value of the Company's derivative instruments would be approximately \$21.5 million.

At December 31, 2017, the Company had total outstanding floating rate debt of approximately \$1.4 billion, or 15.4% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 16 basis points (a 10% increase from the Company's existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$2.2 million. If market rates of interest on all of the floating rate debt permanently decreased by 16 basis points (a 10% decrease from the Company's existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$2.2 million.

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At December 31, 2017, the Company had total outstanding fixed rate debt of approximately \$7.6 billion, or 84.6% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 47 basis points (a 10% increase from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$6.9 billion. If market rates of interest permanently decreased by 47 basis points (a 10% decrease from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$8.5 billion.

At December 31, 2017, the Company's derivative instruments had a net asset fair value of approximately \$3.5 million. If market rates of interest permanently increased by 24 basis points (a 10% increase from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$7.7 million. If market rates of interest permanently decreased by 24 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net liability fair value of the Company's derivative instruments would be approximately \$0.7 million.

These amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. The foregoing assumptions apply to the entire amount of the Company's debt and derivative instruments and do not differentiate among maturities. These analyses do not consider the effects of the changes in overall economic activity that could exist in such an environment. Further, in the event of changes of such magnitude, management would likely take actions to further mitigate its exposure to the changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in the Company's financial structure or results.

The Company cannot predict the effect of adverse changes in interest rates on its debt and derivative instruments and, therefore, its exposure to market risk, nor can there be any assurance that long-term debt will be available at advantageous pricing. Consequently, future results may differ materially from the estimated adverse changes discussed above.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Equity Residential

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of December 31, 2018, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the

SEC's rules and forms.

(b) Management's Report on Internal Control over Financial Reporting:

Equity Residential's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

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Based on the Company's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2018. Our internal control over financial reporting has been audited as of December 31, 2018 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to above that occurred during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ERP Operating Limited Partnership

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of December 31, 2018, the Operating Partnership carried out an evaluation, under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of EQR, of the effectiveness of the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Management's Report on Internal Control over Financial Reporting:

ERP Operating Limited Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of EQR, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

Based on the Operating Partnership's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2018. Our internal control over financial reporting has been audited as of December 31, 2018 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Operating Partnership identified in connection with the Operating Partnership's evaluation referred to above that occurred during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Items 10, 11, 12, 13 and 14.

Trustees, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters; Certain Relationships and Related Transactions, and Trustee Independence; and Principal Accounting Fees and Services.

The information required by Item 10, Item 11, Item 12, Item 13 and Item 14 is incorporated by reference to, and will be contained in, Equity Residential's Proxy Statement, which the Company intends to file no later than 120 days after the end of its fiscal year ended December 31, 2018, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.4% owner of ERP Operating Limited Partnership.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

(1) Financial Statements: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

(2) Exhibits: See the Exhibit Index.

(3) Financial Statement Schedules: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

Item 16. Form 10-K Summary.

None.

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EXHIBIT INDEX

The exhibits listed below are filed as part of this report. References to exhibits or other filings under the caption “Location” indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. The Commission file numbers for our Exchange Act filings referenced below are 1-12252 (Equity Residential) and 0-24920 (ERP Operating Limited Partnership).

Exhibit	Description	Location
3.1	<u>Articles of Restatement of Declaration of Trust of Equity Residential dated December 9, 2004.</u>	Included as Exhibit 3.1 to Equity Residential’s Form 10-K for the year ended December 31, 2004.
3.2	<u>Eighth Amended and Restated Bylaws of Equity Residential, effective as of October 1, 2015.</u>	Included as Exhibit 3.1 to Equity Residential's Form 8-K dated and filed on October 1, 2015.
3.3	<u>First Amendment to Eighth Amended and Restated Bylaws of Equity Residential, dated November 20, 2017.</u>	Included as Exhibit 3.1 to Equity Residential's Form 8-K dated and filed on November 20, 2017.
3.4	<u>Sixth Amended and Restated Agreement of Limited Partnership for ERP Operating Limited Partnership dated as of March 12, 2009.</u>	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated March 12, 2009, filed on March 18, 2009.
4.1	Indenture, dated October 1, 1994, between the Operating Partnership and The Bank of New York Mellon Trust Company, N.A., as successor trustee (“Indenture”).	Included as Exhibit 4(a) to ERP Operating Limited Partnership’s Form S-3 filed on October 7, 1994. **
4.2	<u>First Supplemental Indenture to Indenture, dated as of September 9, 2004.</u>	Included as Exhibit 4.2 to ERP Operating Limited Partnership’s Form 8-K, filed on September 10, 2004.
4.3	<u>Second Supplemental Indenture to Indenture, dated as of August 23, 2006.</u>	Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated August 16, 2006, filed on August 23, 2006.
4.4	<u>Third Supplemental Indenture to Indenture, dated as of June 4, 2007.</u>	Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated May 30, 2007, filed on June 1, 2007.
4.5	<u>Fourth Supplemental Indenture to Indenture, dated as of December 12, 2011.</u>	Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated December 7, 2011, filed on December 9, 2011.
4.6	<u>Fifth Supplemental Indenture to Indenture, dated as of February 1, 2016.</u>	Included as Exhibit 4.6 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2015.

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- 4.7 Form of 2.375% Note due July 1, 2019. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014.
- 4.8 Form of 4.75% Note due July 15, 2020. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated July 12, 2010, filed on July 15, 2010.
- 4.9 Form of 4.625% Note due December 15, 2021. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated December 7, 2011, filed on December 9, 2011.
- 4.10 Form of 3.00% Note due April 15, 2023. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated April 3, 2013, filed on April 8, 2013.
- 4.11 Form of 3.375% Note due June 1, 2025. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated May 11, 2015, filed on May 13, 2015.
- 4.12 Terms Agreement regarding 7.57% Notes due August 15, 2026. Included as Exhibit 1 to ERP Operating Limited Partnership's Form 8-K, filed on August 13, 1996.
- 4.13 Form of 2.850% Note due November 1, 2026. Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated October 4, 2016, filed on October 7, 2016.
- 4.14 Form of 3.250% Note due August 1, 2027. Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated July 31, 2017, filed on August 2, 2017.
- 4.15 Form of 3.500% Note due March 1, 2028. Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 1, 2018, filed on February 6, 2018.
- 4.16 Form of 4.150% Note due December 1, 2028. Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated November 28, 2018, filed on November 29, 2018.
- 4.17 Form of 4.500% Note due July 1, 2044. Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014.

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4.18 <u>Form of 4.500% Note due June 1, 2045.</u>	Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated May 11, 2015, filed on May 13, 2015.
4.19 <u>Form of 4.000% Note due August 1, 2047.</u>	Included as Exhibit 4.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated July 31, 2017, filed on August 2, 2017.
10.1 *Noncompetition Agreement (Zell).	Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. **
10.2 *Noncompetition Agreement (Spector).	Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. **
10.3 *Form of Noncompetition Agreement (other officers).	Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. **
10.4 <u>Revolving Credit Agreement dated as of November 3, 2016 among ERP Operating Limited Partnership, Bank of America, N.A., as Administrative Agent, Wells Fargo Bank, National Association, and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Bookrunners, and a syndicate of other banks (the "Credit Agreement").</u>	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed November 3, 2016.
10.5 <u>Guaranty of Payment made as of November 3, 2016 between Equity Residential and Bank of America, N.A., as administrative agent for the banks party to the Credit Agreement.</u>	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed November 3, 2016.
10.6 <u>Amended and Restated Limited Partnership Agreement of Lexford Properties, L.P.</u>	Included as Exhibit 10.16 to Equity Residential's Form 10-K for the year ended December 31, 1999.
10.7 * <u>Equity Residential 2011 Share Incentive Plan.</u>	Included as Exhibit 99.1 to Equity Residential's and ERP

- Operating Limited Partnership's Form 8-K dated June 16, 2011, filed on June 22, 2011.
- 10.8 *First Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2012.
- 10.9 *Second Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2013.
- 10.10*Third Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended March 31, 2014.
- 10.11*Fourth Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2014.
- 10.12*Fifth Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2016.
- 10.13*Sixth Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.18 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2016.
- 10.14*Seventh Amendment to 2011 Share Incentive Plan. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2017.
- 10.15*Equity Residential Second Restated 2002 Share Incentive Plan dated December 10, 2008. Included as Exhibit 10.15 to Equity Residential's Form 10-K

for the year ended December 31, 2008.

10.16* First Amendment to Second Restated 2002 Share Incentive Plan.

Included as Exhibit 10.1 to Equity Residential's Form 10-Q for the quarterly period ended September 30, 2010.

10.17* Second Amendment to Second Restated 2002 Share Incentive Plan.

Included as Exhibit 10.3 to Equity Residential's Form 10-Q for the quarterly period ended June 30, 2011.

10.18* Third Amendment to Second Restated 2002 Share Incentive Plan.

Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2012.

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10.19 * <u>Fourth Amendment to Second Restated 2002 Share Incentive Plan.</u>	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2013.
10.20 * <u>Form of 2015 Performance Award Agreement.</u>	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended March 31, 2015.
10.21 * <u>Form of 2018 Long-Term Incentive Plan Award Agreement.</u>	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended March 31, 2018.
10.22 * <u>Form of Change in Control/Severance Agreement between the Company and other executive officers.</u>	Included as Exhibit 10.13 to Equity Residential's Form 10-K for the year ended December 31, 2001.
10.23 * <u>Form of First Amendment to Amended and Restated Change in Control/Severance Agreement with each executive officer.</u>	Included as Exhibit 10.1 to Equity Residential's Form 10-Q for the quarterly period ended March 31, 2009.
10.24 * <u>Form of Indemnification Agreement between the Company and each trustee and executive officer.</u>	Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2003.
10.25 * <u>Form of Letter Agreement between Equity Residential and each of David J. Neithercut, Alan W. George and Bruce C. Strohm.</u>	Included as Exhibit 10.3 to Equity Residential's Form 10-Q for the quarterly period ended September 30, 2008.
10.26 * <u>Form of Executive Retirement Benefits Agreement.</u>	Included as Exhibit 10.24 to Equity Residential's Form 10-K for the year ended December 31, 2006.
10.27 * <u>Retirement Benefits Agreement between Samuel Zell and the Company dated October 18, 2001.</u>	Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2001.
10.28 * <u>Rule of 70 Retirement Agreement, dated February 28, 2018, by and between Equity Residential and David S. Santee.</u>	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q

- for the quarterly period ended March 31, 2018.
- 10.29* Age 62 Retirement Agreement, dated September 4, 2018, by and between Equity Residential and David J. Neithercut. Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2018.
- 10.30* Amended and Restated Deferred Compensation Agreement between the Company and Gerald A. Spector dated January 1, 2002. Included as Exhibit 10.17 to Equity Residential's Form 10-K for the year ended December 31, 2001.
- 10.31* The Equity Residential Supplemental Executive Retirement Plan as Amended and Restated effective April 1, 2017. Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2017.
- 10.32* The Equity Residential Grandfathered Supplemental Executive Retirement Plan as Amended and Restated effective January 1, 2005. Included as Exhibit 10.2 to Equity Residential's Form 10-Q for the quarterly period ended March 31, 2008.
- 10.33 Distribution Agreement, dated June 29, 2016, among the Company, the Operating Partnership, J.P. Morgan Securities LLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNY Mellon Capital Markets, LLC, Morgan Stanley & Co. LLC, Mitsubishi UFJ Securities (USA), Inc., Scotia Capital (USA) Inc. and UBS Securities LLC. Included as Exhibit 1.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on June 29, 2016.
- 10.34 Archstone Residual JV, LLC Limited Liability Company Agreement. Included as Exhibit 10.3 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
- 10.35 Archstone Parallel Residual JV, LLC Limited Liability Company Agreement. Included as Exhibit 10.4 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
- 10.36 Archstone Parallel Residual JV 2, LLC Limited Liability Company Agreement. Included as Exhibit 10.5 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
- 10.37 Legacy Holdings JV, LLC Limited Liability Company Agreement. Included as Exhibit 10.6 to Equity Residential's and ERP Operating

Limited Partnership's Form 8-K
dated February 27, 2013, filed on
February 28, 2013.

21 List of Subsidiaries of Equity Residential and ERP Operating Limited Partnership. Attached herein.

23.1 Consent of Ernst & Young LLP - Equity Residential. Attached herein.

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23.2	<u>Consent of Ernst & Young LLP - ERP Operating Limited Partnership.</u>	Attached herein.
24	<u>Power of Attorney.</u>	See the signature page to this report.
31.1	<u>Equity Residential - Certification of Mark J. Parrell, Chief Executive Officer.</u>	Attached herein.
31.2	<u>Equity Residential - Certification of Robert A. Garechana, Chief Financial Officer.</u>	Attached herein.
31.3	<u>ERP Operating Limited Partnership - Certification of Mark J. Parrell, Chief Executive Officer of Registrant's General Partner.</u>	Attached herein.
31.4	<u>ERP Operating Limited Partnership - Certification of Robert A. Garechana, Chief Financial Officer of Registrant's General Partner.</u>	Attached herein.
32.1	<u>Equity Residential - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Executive Officer of the Company.</u>	Attached herein.
32.2	<u>Equity Residential - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Robert A. Garechana, Chief Financial Officer of the Company.</u>	Attached herein.
32.3	<u>ERP Operating Limited Partnership - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Executive Officer of Registrant's General Partner.</u>	Attached herein.
32.4	<u>ERP Operating Limited Partnership - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Robert A. Garechana, Chief Financial Officer of Registrant's General Partner.</u>	Attached herein.
101	XBRL (Extensible Business Reporting Language). The following materials from Equity Residential's and ERP Operating Limited Partnership's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL: (i) consolidated balance sheets, (ii) consolidated statements of operations and comprehensive income, (iii) consolidated statements of cash flows, (iv) consolidated statements of changes in equity (Equity Residential), (v) consolidated statements of changes in capital (ERP Operating Limited Partnership) and (vi) notes to consolidated financial statements.	Attached herein.

*Management contracts and compensatory plans or arrangements filed as exhibits to this report are identified by an asterisk.

**Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITY RESIDENTIAL

By: /s/ Mark J. Parrell
Mark J. Parrell

President and Chief Executive Officer

(Principal Executive Officer)

Date: February 21, 2019

ERP OPERATING LIMITED
PARTNERSHIP

BY: EQUITY RESIDENTIAL

ITS GENERAL PARTNER

By: /s/ Mark J. Parrell
Mark J. Parrell

President and Chief Executive Officer

(Principal Executive Officer)

Date: February 21, 2019

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EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

POWER OF ATTORNEY

KNOW ALL MEN/WOMEN BY THESE PRESENTS, that each person whose signature appears below, hereby constitutes and appoints Mark J. Parrell, Robert A. Garechana and Ian S. Kaufman, or any of them, his or her attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her in any and all capacities, to do all acts and things which said attorneys and agents, or any of them, deem advisable to enable the company to comply with the Securities Exchange Act of 1934, as amended, and any requirements or regulations of the Securities and Exchange Commission in respect thereof, in connection with the company's filing of an annual report on Form 10-K for the company's fiscal year 2018, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his or her name as a trustee or officer, or both, of the company, as indicated below opposite his or her signature, to the Form 10-K, and any amendment thereto; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of each registrant and in the capacities set forth below and on the dates indicated:

Name	Title	Date
/s/ Mark J. Parrell Mark J. Parrell	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 21, 2019
/s/ Robert A. Garechana Robert A. Garechana	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2019
/s/ Ian S. Kaufman Ian S. Kaufman	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2019
/s/ Charles L. Atwood Charles L. Atwood	Trustee	February 21, 2019
/s/ Raymond Bennett Raymond Bennett	Trustee	February 21, 2019
/s/ Linda Walker Bynoe Linda Walker Bynoe	Trustee	February 21, 2019
/s/ Connie K. Duckworth Connie K. Duckworth	Trustee	February 21, 2019
/s/ Mary Kay Haben	Trustee	February 21, 2019

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Mary Kay Haben

/s/ Bradley A. Keywell Trustee February 21, 2019
Bradley A. Keywell

/s/ John E. Neal Trustee February 21, 2019
John E. Neal

/s/ David J. Neithercut Trustee February 21, 2019
David J. Neithercut

/s/ Mark S. Shapiro Trustee February 21, 2019
Mark S. Shapiro

/s/ Stephen E. Sterrett Trustee February 21, 2019
Stephen E. Sterrett

/s/ Gerald A. Spector Vice Chairman of the Board of Trustees February 21, 2019
Gerald A. Spector

/s/ Samuel Zell Chairman of the Board of Trustees February 21, 2019
Samuel Zell

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

EQUITY RESIDENTIAL

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<u>Report of Independent Registered Public Accounting Firm on the Financial Statements (ERP Operating Limited Partnership)</u>	F-3
<u>Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (Equity Residential)</u>	F-4
<u>Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (ERP Operating Limited Partnership)</u>	F-5
Financial Statements of Equity Residential:	
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	F-6
<u>Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2018, 2017 and 2016</u>	F-7 to F-8
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	F-9 to F-12
<u>Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016</u>	F-13 to F-14
Financial Statements of ERP Operating Limited Partnership:	
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	F-15
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<u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	F-18 to F-21

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Consolidated Statements of Changes in Capital for the years ended December 31, 2018, 2017 and 2016 F-22 to
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SCHEDULE FILED AS PART OF THIS REPORT

Schedule III – Real Estate and Accumulated Depreciation of Equity Residential and ERP Operating
Limited Partnership S-1 to
S-11

All other schedules have been omitted because they are inapplicable, not required or the information is included elsewhere in the consolidated financial statements or notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees

Equity Residential

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Equity Residential (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

We have served as the Company's auditor since 1996.

Chicago, Illinois
February 21, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners

ERP Operating Limited Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ERP Operating Limited Partnership (the Operating Partnership) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Operating Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Operating Partnership’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership’s management. Our responsibility is to express an opinion on the Operating Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

We have served as the Operating Partnership's auditor since 1996.

Chicago, Illinois
February 21, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees

Equity Residential

Opinion on Internal Control over Financial Reporting

We have audited Equity Residential's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Equity Residential (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was

maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 21, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners

ERP Operating Limited Partnership

Opinion on Internal Control over Financial Reporting

We have audited ERP Operating Limited Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, ERP Operating Limited Partnership (the Operating Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Operating Partnership as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Operating Partnership's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Operating Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 21, 2019

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EQUITY RESIDENTIAL

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share amounts)

	December 31, 2018	December 31, 2017
ASSETS		
Land	\$ 5,875,803	\$ 5,996,024
Depreciable property	20,435,901	19,768,362
Projects under development	109,409	163,547
Land held for development	89,909	98,963
Investment in real estate	26,511,022	26,026,896
Accumulated depreciation	(6,696,281)	(6,040,378)
Investment in real estate, net	19,814,741	19,986,518
Investments in unconsolidated entities	58,349	58,254
Cash and cash equivalents	47,442	50,647
Restricted deposits	68,871	50,115
Other assets	404,806	425,065
Total assets	\$ 20,394,209	\$ 20,570,599
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 2,385,470	\$ 3,618,722
Notes, net	5,933,286	5,038,812
Line of credit and commercial paper	499,183	299,757
Accounts payable and accrued expenses	102,471	114,766
Accrued interest payable	62,622	58,035
Other liabilities	358,563	341,852
Security deposits	67,258	65,009
Distributions payable	206,601	192,828
Total liabilities	9,615,454	9,729,781
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	379,106	366,955
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares		
authorized; 745,600 shares issued and outstanding as of December 31, 2018 and		
December 31, 2017	37,280	37,280
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares	3,694	3,680

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authorized; 369,405,161 shares issued and outstanding as of December 31, 2018 and		
368,018,082 shares issued and outstanding as of December 31, 2017		
Paid in capital	8,935,453	8,886,586
Retained earnings	1,261,763	1,403,530
Accumulated other comprehensive income (loss)	(64,986)	(88,612)
Total shareholders' equity	10,173,204	10,242,464
Noncontrolling Interests:		
Operating Partnership	228,738	226,691
Partially Owned Properties	(2,293)	4,708
Total Noncontrolling Interests	226,445	231,399
Total equity	10,399,649	10,473,863
Total liabilities and equity	\$ 20,394,209	\$ 20,570,599

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2018	2017	2016
REVENUES			
Rental income	\$2,577,681	\$2,470,689	\$2,422,233
Fee and asset management	753	717	3,567
Total revenues	2,578,434	2,471,406	2,425,800
EXPENSES			
Property and maintenance	429,335	405,281	406,823
Real estate taxes and insurance	357,814	335,495	317,387
Property management	92,485	85,493	82,015
General and administrative	53,813	52,224	57,840
Depreciation	785,725	743,749	705,649
Impairment	702	1,693	—
Total expenses	1,719,874	1,623,935	1,569,714
Operating income	858,560	847,471	856,086
Interest and other income	15,317	6,136	65,773
Other expenses	(17,267)	(5,186)	(10,368)
Interest:			
Expense incurred, net	(413,360)	(383,890)	(482,246)
Amortization of deferred financing costs	(11,310)	(8,526)	(12,633)
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	431,940	456,005	416,612
Income and other tax (expense) benefit	(878)	(478)	(1,613)
Income (loss) from investments in unconsolidated entities	(3,667)	(3,370)	4,801
Net gain (loss) on sales of real estate properties	256,810	157,057	4,044,055
Net gain (loss) on sales of land parcels	987	19,167	15,731
Income from continuing operations	685,192	628,381	4,479,586
Discontinued operations, net	—	—	518
Net income	685,192	628,381	4,480,104
Net (income) loss attributable to Noncontrolling Interests:			
Operating Partnership	(24,939)	(22,604)	(171,511)
Partially Owned Properties	(2,718)	(2,323)	(16,430)
Net income attributable to controlling interests	657,535	603,454	4,292,163
Preferred distributions	(3,090)	(3,091)	(3,091)

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Net income available to Common Shares	\$654,445	\$600,363	\$4,289,072
Earnings per share – basic:			
Income from continuing operations available to Common Shares	\$1.78	\$1.64	\$11.75
Net income available to Common Shares	\$1.78	\$1.64	\$11.75
Weighted average Common Shares outstanding	368,052	366,968	365,002
Earnings per share – diluted:			
Income from continuing operations available to Common Shares	\$1.77	\$1.63	\$11.68
Net income available to Common Shares	\$1.77	\$1.63	\$11.68
Weighted average Common Shares outstanding	383,695	382,678	381,992

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2018	2017	2016
Comprehensive income:			
Net income	\$685,192	\$628,381	\$4,480,104
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	5,174	6,439	(3,915)
Losses reclassified into earnings from other comprehensive income	18,452	18,858	41,758
Other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	—	—	264
Other comprehensive income (loss)	23,626	25,297	38,107
Comprehensive income	708,818	653,678	4,518,211
Comprehensive (income) attributable to Noncontrolling Interests	(28,526)	(25,845)	(189,411)
Comprehensive income attributable to controlling interests	\$680,292	\$627,833	\$4,328,800

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$685,192	\$628,381	\$4,480,104
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	785,725	743,749	705,649
Amortization of deferred financing costs	11,310	8,526	12,633
Amortization of above/below market lease intangibles	4,392	3,828	3,426
Amortization of discounts and premiums on debt	22,781	3,536	(17,986)
Amortization of deferred settlements on derivative instruments	18,440	18,847	41,680
Impairment	702	1,693	—
Write-off of pursuit costs	4,450	3,106	4,092
(Income) loss from investments in unconsolidated entities	3,667	3,370	(4,801)
Distributions from unconsolidated entities – return on capital	2,492	2,632	2,863
Net (gain) loss on sales of investment securities and other investments	—	—	(58,409)
Net (gain) loss on sales of real estate properties	(256,810)	(157,057)	(4,044,055)
Net (gain) loss on sales of land parcels	(987)	(19,167)	(15,731)
Net (gain) loss on sales of discontinued operations	—	—	(43)
Net (gain) loss on debt extinguishment	22,110	12,258	114,666
Realized/unrealized (gain) loss on derivative instruments	50	—	74
Compensation paid with Company Common Shares	27,132	24,997	30,530
Changes in assets and liabilities:			
(Increase) decrease in other assets	4,097	(449)	31,147
Increase (decrease) in accounts payable and accrued expenses	(1,862)	11,532	(6,061)
Increase (decrease) in accrued interest payable	4,587	(2,911)	(24,275)
Increase (decrease) in other liabilities	16,578	(23,468)	(26,422)
Increase (decrease) in security deposits	2,249	2,385	(14,958)
Net cash provided by operating activities	1,356,295	1,265,788	1,214,123
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(708,092)	(466,394)	(205,880)
Investment in real estate – development/other	(154,431)	(276,382)	(566,825)
Capital expenditures to real estate	(188,501)	(202,607)	(172,177)
Non-real estate capital additions	(4,505)	(1,506)	(5,731)
Interest capitalized for real estate under development	(6,260)	(26,290)	(51,451)
Proceeds from disposition of real estate, net	691,526	384,583	6,824,659
Investments in unconsolidated entities	(6,571)	(6,034)	(5,266)
Distributions from unconsolidated entities – return of capital	—	334	13,798
Proceeds from sale of investment securities and other investments	—	—	72,815

Net cash provided by (used for) investing activities	(376,834)	(594,296)	5,903,942
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See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$(8,583)	\$(6,289)	\$(13,305)
Mortgage notes payable, net:			
Proceeds	96,935	—	—
Lump sum payoffs	(1,347,939)	(493,420)	(583,122)
Scheduled principal repayments	(6,629)	(10,704)	(8,544)
Net gain (loss) on debt extinguishment	(22,110)	(12,258)	(31,732)
Notes, net:			
Proceeds	896,294	692,466	496,705
Lump sum payoffs	—	(497,975)	(1,500,000)
Net gain (loss) on debt extinguishment	—	—	(82,934)
Line of credit and commercial paper:			
Line of credit proceeds	3,805,000	1,845,000	426,000
Line of credit repayments	(3,805,000)	(1,845,000)	(426,000)
Commercial paper proceeds	14,030,926	5,066,509	1,760,194
Commercial paper repayments	(13,831,500)	(4,786,750)	(2,127,472)
Proceeds from (payments on) settlement of derivative instruments	18,118	1,295	(4,662)
Proceeds from Employee Share Purchase Plan (ESPP)	3,879	3,744	3,686
Proceeds from exercise of options	30,655	31,596	35,833
Payment of offering costs	(27)	(51)	(314)
Other financing activities, net	(78)	(63)	(49)
Acquisition of Noncontrolling Interests – Partially Owned Properties	(13)	—	—
Contributions – Noncontrolling Interests – Partially Owned Properties	125	125	—
Contributions – Noncontrolling Interests – Operating Partnership	1	—	1
Distributions:			
Common Shares	(782,122)	(739,375)	(4,771,725)
Preferred Shares	(3,863)	(3,091)	(2,318)
Noncontrolling Interests – Operating Partnership	(28,226)	(27,291)	(188,115)
Noncontrolling Interests – Partially Owned Properties	(9,753)	(8,286)	(36,219)
Net cash provided by (used for) financing activities	(963,910)	(789,818)	(7,054,092)
Net increase (decrease) in cash and cash equivalents and restricted deposits	15,551	(118,326)	63,973
Cash and cash equivalents and restricted deposits, beginning of year	100,762	219,088	155,115
Cash and cash equivalents and restricted deposits, end of year	\$116,313	\$100,762	\$219,088
Cash and cash equivalents and restricted deposits, end of year			
Cash and cash equivalents	\$47,442	\$50,647	\$77,207

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Restricted deposits	68,871	50,115	141,881
Total cash and cash equivalents and restricted deposits, end of year	\$116,313	\$100,762	\$219,088

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$358,156	\$360,273	\$482,152
Net cash paid for income and other taxes	\$853	\$640	\$1,494
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$—	\$—	\$43,400
Amortization of deferred financing costs:			
Other assets	\$2,412	\$2,412	\$3,366
Mortgage notes payable, net	\$4,792	\$2,493	\$3,978
Notes, net	\$4,106	\$3,621	\$5,289
Amortization of discounts and premiums on debt:			
Mortgage notes payable, net	\$20,144	\$1,172	\$(21,158)
Notes, net	\$2,637	\$2,364	\$3,172
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(12)	\$(11)	\$(78)
Accumulated other comprehensive income	\$18,452	\$18,858	\$41,758
Write-off of pursuit costs:			
Investment in real estate, net	\$4,364	\$2,965	\$3,586
Other assets	\$53	\$17	\$402
Accounts payable and accrued expenses	\$33	\$124	\$104
(Income) loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$2,304	\$1,955	\$(6,327)
Other liabilities	\$1,363	\$1,415	\$1,526
Realized/unrealized (gain) loss on derivative instruments:			
Other assets	\$(14,977)	\$(4,582)	\$1,798
Notes, net	\$(680)	\$(3,454)	\$(1,798)
Other liabilities	\$10,533	\$1,597	\$3,989
Accumulated other comprehensive income	\$5,174	\$6,439	\$(3,915)
Investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(4,891)	\$(3,034)	\$(2,326)
Other liabilities	\$(1,680)	\$(3,000)	\$(2,940)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL INFORMATION (continued):			
Distributions from unconsolidated entities - return of capital:			
Investments in unconsolidated entities	\$—	\$334	\$14,014
Other assets	\$—	\$—	\$(216)
Debt financing costs:			
Other assets	\$(145)	\$—	\$(8,553)
Mortgage notes payable, net	\$(555)	\$—	\$(507)
Notes, net	\$(7,883)	\$(6,289)	\$(4,245)
Proceeds from (payments on) settlement of derivative instruments:			
Other assets	\$18,118	\$1,295	\$—
Other liabilities	\$—	\$—	\$(4,662)
Other:			
Foreign currency translation adjustments	\$—	\$—	\$(264)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
SHAREHOLDERS' EQUITY			
PREFERRED SHARES			
Balance, beginning of year	\$37,280	\$37,280	\$37,280
Balance, end of year	\$37,280	\$37,280	\$37,280
COMMON SHARES, \$0.01 PAR VALUE			
Balance, beginning of year	\$3,680	\$3,659	\$3,648
Conversion of OP Units into Common Shares	1	11	1
Exercise of share options	11	8	8
Employee Share Purchase Plan (ESPP)	1	1	1
Share-based employee compensation expense:			
Restricted shares	1	1	1
Balance, end of year	\$3,694	\$3,680	\$3,659
PAID IN CAPITAL			
Balance, beginning of year	\$8,886,586	\$8,758,422	\$8,572,365
Common Share Issuance:			
Conversion of OP Units into Common Shares	4,097	15,889	3,725
Exercise of share options	30,644	31,588	35,825
Employee Share Purchase Plan (ESPP)	3,878	3,743	3,685
Share-based employee compensation expense:			
Restricted shares	8,257	9,776	15,015
Share options	9,734	6,835	3,432
ESPP discount	767	747	650
Offering costs	(27)	(51)	(314)
Supplemental Executive Retirement Plan (SERP)	(454)	(594)	748
Change in market value of Redeemable Noncontrolling Interests –			
Operating Partnership	(13,922)	41,916	115,093
Adjustment for Noncontrolling Interests ownership in Operating			
Partnership	5,893	18,315	8,198
Balance, end of year	\$8,935,453	\$8,886,586	\$8,758,422
RETAINED EARNINGS			
Balance, beginning of year	\$1,403,530	\$1,543,626	\$2,009,091
Net income attributable to controlling interests	657,535	603,454	4,292,163
Common Share distributions	(796,212)	(740,459)	(4,754,537)
Preferred Share distributions	(3,090)	(3,091)	(3,091)
Balance, end of year	\$1,261,763	\$1,403,530	\$1,543,626

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ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Balance, beginning of year	\$(88,612)	\$(113,909)	\$(152,016)
Accumulated other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	5,174	6,439	(3,915)
Losses reclassified into earnings from other comprehensive income	18,452	18,858	41,758
Accumulated other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	—	—	264
Balance, end of year	\$(64,986)	\$(88,612)	\$(113,909)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
NONCONTROLLING INTERESTS			
OPERATING PARTNERSHIP			
Balance, beginning of year	\$226,691	\$221,297	\$221,379
Issuance of restricted units to Noncontrolling Interests	1	—	1
Conversion of OP Units held by Noncontrolling Interests into OP Units			
held by General Partner	(4,098)	(15,900)	(3,726)
Equity compensation associated with Noncontrolling Interests	14,009	10,523	18,180
Net income attributable to Noncontrolling Interests	24,939	22,604	171,511
Distributions to Noncontrolling Interests	(28,682)	(26,739)	(187,448)
Change in carrying value of Redeemable Noncontrolling Interests –			
Operating Partnership	1,771	33,221	9,598
Adjustment for Noncontrolling Interests ownership in Operating			
Partnership	(5,893)	(18,315)	(8,198)
Balance, end of year	\$228,738	\$226,691	\$221,297
PARTIALLY OWNED PROPERTIES			
Balance, beginning of year	\$4,708	\$10,609	\$4,608
Net income attributable to Noncontrolling Interests	2,718	2,323	16,430
Acquisitions of Noncontrolling Interests – Partially Owned Properties	(13)	—	—
Contributions by Noncontrolling Interests	125	125	—
Distributions to Noncontrolling Interests	(9,831)	(8,349)	(36,268)
Other	—	—	25,839
Balance, end of year	\$(2,293)	\$4,708	\$10,609

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	December 31, 2018	December 31, 2017
ASSETS		
Land	\$ 5,875,803	\$ 5,996,024
Depreciable property	20,435,901	19,768,362
Projects under development	109,409	163,547
Land held for development	89,909	98,963
Investment in real estate	26,511,022	26,026,896
Accumulated depreciation	(6,696,281)	(6,040,378)
Investment in real estate, net	19,814,741	19,986,518
Investments in unconsolidated entities	58,349	58,254
Cash and cash equivalents	47,442	50,647
Restricted deposits	68,871	50,115
Other assets	404,806	425,065
Total assets	\$ 20,394,209	\$ 20,570,599
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net	\$ 2,385,470	\$ 3,618,722
Notes, net	5,933,286	5,038,812
Line of credit and commercial paper	499,183	299,757
Accounts payable and accrued expenses	102,471	114,766
Accrued interest payable	62,622	58,035
Other liabilities	358,563	341,852
Security deposits	67,258	65,009
Distributions payable	206,601	192,828
Total liabilities	9,615,454	9,729,781
Commitments and contingencies		
Redeemable Limited Partners	379,106	366,955
Capital:		
Partners' Capital:		
Preference Units	37,280	37,280
General Partner	10,200,910	10,293,796
Limited Partners	228,738	226,691
Accumulated other comprehensive income (loss)	(64,986)	(88,612)
Total partners' capital	10,401,942	10,469,155
Noncontrolling Interests – Partially Owned Properties	(2,293)	4,708

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Total capital	10,399,649	10,473,863
Total liabilities and capital	\$ 20,394,209	\$ 20,570,599

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per Unit data)

	Year Ended December 31,		
	2018	2017	2016
REVENUES			
Rental income	\$2,577,681	\$2,470,689	\$2,422,233
Fee and asset management	753	717	3,567
Total revenues	2,578,434	2,471,406	2,425,800
EXPENSES			
Property and maintenance	429,335	405,281	406,823
Real estate taxes and insurance	357,814	335,495	317,387
Property management	92,485	85,493	82,015
General and administrative	53,813	52,224	57,840
Depreciation	785,725	743,749	705,649
Impairment	702	1,693	—
Total expenses	1,719,874	1,623,935	1,569,714
Operating income	858,560	847,471	856,086
Interest and other income	15,317	6,136	65,773
Other expenses	(17,267)	(5,186)	(10,368)
Interest:			
Expense incurred, net	(413,360)	(383,890)	(482,246)
Amortization of deferred financing costs	(11,310)	(8,526)	(12,633)
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	431,940	456,005	416,612
Income and other tax (expense) benefit	(878)	(478)	(1,613)
Income (loss) from investments in unconsolidated entities	(3,667)	(3,370)	4,801
Net gain (loss) on sales of real estate properties	256,810	157,057	4,044,055
Net gain (loss) on sales of land parcels	987	19,167	15,731
Income from continuing operations	685,192	628,381	4,479,586
Discontinued operations, net	—	—	518
Net income	685,192	628,381	4,480,104
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(2,718)	(2,323)	(16,430)
Net income attributable to controlling interests	\$682,474	\$626,058	\$4,463,674
ALLOCATION OF NET INCOME:			

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Preference Units	\$3,090	\$3,091	\$3,091
General Partner	\$654,445	\$600,363	\$4,289,072
Limited Partners	24,939	22,604	171,511
Net income available to Units	\$679,384	\$622,967	\$4,460,583
Earnings per Unit – basic:			
Income from continuing operations available to Units	\$1.78	\$1.64	\$11.75
Net income available to Units	\$1.78	\$1.64	\$11.75
Weighted average Units outstanding	380,921	379,869	378,829
Earnings per Unit – diluted:			
Income from continuing operations available to Units	\$1.77	\$1.63	\$11.68
Net income available to Units	\$1.77	\$1.63	\$11.68
Weighted average Units outstanding	383,695	382,678	381,992
See accompanying notes			

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)

(Amounts in thousands except per Unit data)

	Year Ended December 31,		
	2018	2017	2016
Comprehensive income:			
Net income	\$685,192	\$628,381	\$4,480,104
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	5,174	6,439	(3,915)
Losses reclassified into earnings from other comprehensive income	18,452	18,858	41,758
Other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	—	—	264
Other comprehensive income (loss)	23,626	25,297	38,107
Comprehensive income	708,818	653,678	4,518,211
Comprehensive (income) attributable to Noncontrolling Interests –			
Partially Owned Properties	(2,718)	(2,323)	(16,430)
Comprehensive income attributable to controlling interests	\$706,100	\$651,355	\$4,501,781

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$685,192	\$628,381	\$4,480,104
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	785,725	743,749	705,649
Amortization of deferred financing costs	11,310	8,526	12,633
Amortization of above/below market lease intangibles	4,392	3,828	3,426
Amortization of discounts and premiums on debt	22,781	3,536	(17,986)
Amortization of deferred settlements on derivative instruments	18,440	18,847	41,680
Impairment	702	1,693	—
Write-off of pursuit costs	4,450	3,106	4,092
(Income) loss from investments in unconsolidated entities	3,667	3,370	(4,801)
Distributions from unconsolidated entities – return on capital	2,492	2,632	2,863
Net (gain) loss on sales of investment securities and other investments	—	—	(58,409)
Net (gain) loss on sales of real estate properties	(256,810)	(157,057)	(4,044,055)
Net (gain) loss on sales of land parcels	(987)	(19,167)	(15,731)
Net (gain) loss on sales of discontinued operations	—	—	(43)
Net (gain) loss on debt extinguishment	22,110	12,258	114,666
Realized/unrealized (gain) loss on derivative instruments	50	—	74
Compensation paid with Company Common Shares	27,132	24,997	30,530
Changes in assets and liabilities:			
(Increase) decrease in other assets	4,097	(449)	31,147
Increase (decrease) in accounts payable and accrued expenses	(1,862)	11,532	(6,061)
Increase (decrease) in accrued interest payable	4,587	(2,911)	(24,275)
Increase (decrease) in other liabilities	16,578	(23,468)	(26,422)
Increase (decrease) in security deposits	2,249	2,385	(14,958)
Net cash provided by operating activities	1,356,295	1,265,788	1,214,123
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(708,092)	(466,394)	(205,880)
Investment in real estate – development/other	(154,431)	(276,382)	(566,825)
Capital expenditures to real estate	(188,501)	(202,607)	(172,177)
Non-real estate capital additions	(4,505)	(1,506)	(5,731)
Interest capitalized for real estate under development	(6,260)	(26,290)	(51,451)
Proceeds from disposition of real estate, net	691,526	384,583	6,824,659
Investments in unconsolidated entities	(6,571)	(6,034)	(5,266)
Distributions from unconsolidated entities – return of capital	—	334	13,798
Proceeds from sale of investment securities and other investments	—	—	72,815

Net cash provided by (used for) investing activities	(376,834)	(594,296)	5,903,942
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See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$(8,583)	\$(6,289)	\$(13,305)
Mortgage notes payable, net:			
Proceeds	96,935	—	—
Lump sum payoffs	(1,347,939)	(493,420)	(583,122)
Scheduled principal repayments	(6,629)	(10,704)	(8,544)
Net gain (loss) on debt extinguishment	(22,110)	(12,258)	(31,732)
Notes, net:			
Proceeds	896,294	692,466	496,705
Lump sum payoffs	—	(497,975)	(1,500,000)
Net gain (loss) on debt extinguishment	—	—	(82,934)
Line of credit and commercial paper:			
Line of credit proceeds	3,805,000	1,845,000	426,000
Line of credit repayments	(3,805,000)	(1,845,000)	(426,000)
Commercial paper proceeds	14,030,926	5,066,509	1,760,194
Commercial paper repayments	(13,831,500)	(4,786,750)	(2,127,472)
Proceeds from (payments on) settlement of derivative instruments	18,118	1,295	(4,662)
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	3,879	3,744	3,686
Proceeds from exercise of EQR options	30,655	31,596	35,833
Payment of offering costs	(27)	(51)	(314)
Other financing activities, net	(78)	(63)	(49)
Acquisition of Noncontrolling Interests – Partially Owned Properties	(13)	—	—
Contributions – Noncontrolling Interests – Partially Owned Properties	125	125	—
Contributions – Limited Partners	1	—	1
Distributions:			
OP Units – General Partner	(782,122)	(739,375)	(4,771,725)
Preference Units	(3,863)	(3,091)	(2,318)
OP Units – Limited Partners	(28,226)	(27,291)	(188,115)
Noncontrolling Interests – Partially Owned Properties	(9,753)	(8,286)	(36,219)
Net cash provided by (used for) financing activities	(963,910)	(789,818)	(7,054,092)
Net increase (decrease) in cash and cash equivalents and restricted deposits	15,551	(118,326)	63,973
Cash and cash equivalents and restricted deposits, beginning of year	100,762	219,088	155,115
Cash and cash equivalents and restricted deposits, end of year	\$116,313	\$100,762	\$219,088
Cash and cash equivalents and restricted deposits, end of year			
Cash and cash equivalents	\$47,442	\$50,647	\$77,207

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Restricted deposits	68,871	50,115	141,881
Total cash and cash equivalents and restricted deposits, end of year	\$116,313	\$100,762	\$219,088

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$358,156	\$360,273	\$482,152
Net cash paid for income and other taxes	\$853	\$640	\$1,494
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$—	\$—	\$43,400
Amortization of deferred financing costs:			
Other assets	\$2,412	\$2,412	\$3,366
Mortgage notes payable, net	\$4,792	\$2,493	\$3,978
Notes, net	\$4,106	\$3,621	\$5,289
Amortization of discounts and premiums on debt:			
Mortgage notes payable, net	\$20,144	\$1,172	\$(21,158)
Notes, net	\$2,637	\$2,364	\$3,172
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(12)	\$(11)	\$(78)
Accumulated other comprehensive income	\$18,452	\$18,858	\$41,758
Write-off of pursuit costs:			
Investment in real estate, net	\$4,364	\$2,965	\$3,586
Other assets	\$53	\$17	\$402
Accounts payable and accrued expenses	\$33	\$124	\$104
(Income) loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$2,304	\$1,955	\$(6,327)
Other liabilities	\$1,363	\$1,415	\$1,526
Realized/unrealized (gain) loss on derivative instruments:			
Other assets	\$(14,977)	\$(4,582)	\$1,798
Notes, net	\$(680)	\$(3,454)	\$(1,798)
Other liabilities	\$10,533	\$1,597	\$3,989
Accumulated other comprehensive income	\$5,174	\$6,439	\$(3,915)
Investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(4,891)	\$(3,034)	\$(2,326)
Other liabilities	\$(1,680)	\$(3,000)	\$(2,940)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL INFORMATION (continued):			
Distributions from unconsolidated entities - return of capital:			
Investments in unconsolidated entities	\$—	\$334	\$14,014
Other assets	\$—	\$—	\$(216)
Debt financing costs:			
Other assets	\$(145)	\$—	\$(8,553)
Mortgage notes payable, net	\$(555)	\$—	\$(507)
Notes, net	\$(7,883)	\$(6,289)	\$(4,245)
Proceeds from (payments on) settlement of derivative instruments:			
Other assets	\$18,118	\$1,295	\$—
Other liabilities	\$—	\$—	\$(4,662)
Other:			
Foreign currency translation adjustments	\$—	\$—	\$(264)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
PARTNERS' CAPITAL			
PREFERENCE UNITS			
Balance, beginning of year	\$37,280	\$37,280	\$37,280
Balance, end of year	\$37,280	\$37,280	\$37,280
GENERAL PARTNER			
Balance, beginning of year	\$10,293,796	\$10,305,707	\$10,585,104
OP Unit Issuance:			
Conversion of OP Units held by Limited Partners into OP Units held			
by General Partner	4,098	15,900	3,726
Exercise of EQR share options	30,655	31,596	35,833
EQR's Employee Share Purchase Plan (ESPP)	3,879	3,744	3,686
Share-based employee compensation expense:			
EQR restricted shares	8,258	9,777	15,016
EQR share options	9,734	6,835	3,432
EQR ESPP discount	767	747	650
Net income available to Units – General Partner	654,445	600,363	4,289,072
OP Units – General Partner distributions	(796,212)	(740,459)	(4,754,537)
Offering costs	(27)	(51)	(314)
Supplemental Executive Retirement Plan (SERP)	(454)	(594)	748
Change in market value of Redeemable Limited Partners	(13,922)	41,916	115,093
Adjustment for Limited Partners ownership in Operating Partnership	5,893	18,315	8,198
Balance, end of year	\$10,200,910	\$10,293,796	\$10,305,707
LIMITED PARTNERS			
Balance, beginning of year	\$226,691	\$221,297	\$221,379
Issuance of restricted units to Limited Partners	1	—	1
Conversion of OP Units held by Limited Partners into OP Units held by			
General Partner	(4,098)	(15,900)	(3,726)
Equity compensation associated with Units – Limited Partners	14,009	10,523	18,180
Net income available to Units – Limited Partners	24,939	22,604	171,511
Units – Limited Partners distributions	(28,682)	(26,739)	(187,448)
Change in carrying value of Redeemable Limited Partners	1,771	33,221	9,598
Adjustment for Limited Partners ownership in Operating Partnership	(5,893)	(18,315)	(8,198)
Balance, end of year	\$228,738	\$226,691	\$221,297
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance, beginning of year	\$(88,612)	\$(113,909)	\$(152,016)

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Accumulated other comprehensive income (loss) – derivative instruments:

Unrealized holding gains (losses) arising during the year	5,174	6,439	(3,915)
Losses reclassified into earnings from other comprehensive income	18,452	18,858	41,758
Accumulated other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	—	—	264
Balance, end of year	\$(64,986)	\$(88,612)	\$(113,909)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (Continued)

(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
NONCONTROLLING INTERESTS			
NONCONTROLLING INTERESTS – PARTIALLY OWNED			
PROPERTIES			
Balance, beginning of year	\$4,708	\$10,609	\$4,608
Net income attributable to Noncontrolling Interests	2,718	2,323	16,430
Acquisitions of Noncontrolling Interests – Partially Owned Properties	(13)	—	—
Contributions by Noncontrolling Interests	125	125	—
Distributions to Noncontrolling Interests	(9,831)	(8,349)	(36,268)
Other	—	—	25,839
Balance, end of year	\$(2,293)	\$4,708	\$10,609

See accompanying notes

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EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Equity Residential (“EQR”) is an S&P 500 company focused on the acquisition, development and management of rental apartment properties located in urban and high-density suburban markets, a business that is conducted on its behalf by ERP Operating Limited Partnership (“ERPOP”). EQR is a Maryland real estate investment trust (“REIT”) formed in March 1993 and ERPOP is an Illinois limited partnership formed in May 1993. 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 December 31, 2018 owned an approximate 96.4% 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, the net proceeds of which it is obligated to contribute to ERPOP, 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 December 31, 2018, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 307 properties located in 11 states and the District of Columbia consisting of 79,482 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	287	74,840
Master-Leased Property – Consolidated	1	162
Partially Owned Properties – Consolidated	17	3,535
Partially Owned Properties – Unconsolidated	2	945
	307	79,482

Note: Effective February 1, 2018 and April 2, 2018, the Company took over management of two of its Master-Leased properties containing 94 apartment units and 597 apartment units located in Boston and Los Angeles, respectively.

The “Wholly Owned Properties” are accounted for under the consolidation method of accounting. The “Master-Leased Property – Consolidated” is wholly owned by the Company but the entire project is leased to a third party corporate housing provider. This property is consolidated and reflected as a real estate asset while the master lease is accounted

for as an operating lease. The “Partially Owned Properties – Consolidated” are controlled by the Company, but have partners with noncontrolling interests and are accounted for under the consolidation method of accounting and qualify as variable interest entities. The “Partially Owned Properties – Unconsolidated” are controlled by the Company’s partners but the Company has noncontrolling interests and are accounted for under the equity method of accounting.

The Company maintains long-term ground leases for 14 operating properties. The Company owns the building and improvements and leases the land underlying the improvements under long-term ground leases. The expiration dates for these leases range from 2042 through 2113. These properties are consolidated and reflected as real estate assets while the ground leases are accounted for as operating leases. See Note 2 for additional discussion regarding the new leases standard.

2. Summary of Significant Accounting Policies

Basis of Presentation

Due to the Company’s ability as general partner to control either through ownership or by contract the Operating Partnership and its subsidiaries, the Operating Partnership and each such subsidiary has been consolidated with the Company for financial reporting purposes, except for our unconsolidated properties/entities.

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Real Estate Assets and Depreciation of Investment in Real Estate

Effective January 1, 2017 with the adoption of the new standard which clarified the definition of a business (discussed below in Recently Adopted Accounting Pronouncements), the Company expects that substantially all of its transactions will be accounted for as asset acquisitions. In an asset acquisition, the Company is required to capitalize transaction costs and allocate the purchase price on a relative fair value basis. For the year ended December 31, 2018, all acquisitions were considered asset acquisitions.

For asset acquisitions, the Company allocates the purchase price of the net tangible and identified intangible assets on a relative fair value basis. In making estimates of relative fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the relative fair value of the tangible and intangible assets/liabilities acquired. The Company allocates the purchase price of acquired real estate to various components as follows:

- **Land** – Based on actual purchase price adjusted to an allocation of the relative fair value (as necessary) if acquired separately or market research/comparables if acquired with an operating property.
 - **Furniture, Fixtures and Equipment** – Ranges between \$10,000 and \$35,000 per apartment unit acquired as an estimate of the allocation of the relative fair value of the appliances and fixtures inside an apartment unit. The per-apartment unit amount applied depends on the economic age of the apartment building acquired. Depreciation is calculated on the straight-line method over an estimated useful life of five to ten years.
 - **Lease Intangibles** – The Company considers the value of acquired in-place leases and above/below market leases and the amortization period is the average remaining term of each respective acquired lease. In-place residential leases' average term at acquisition approximates six months. In-place retail leases' term at acquisition approximates the average remaining term of all acquired retail leases. See Note 4 for more information on above and below market leases.
 - **Other Intangible Assets** – The Company considers whether it has acquired other intangible assets, including any customer relationship intangibles and the amortization period is the estimated useful life of the acquired intangible asset.
 - **Building** – Based on the allocation of the relative fair value determined on an “as-if vacant” basis. Depreciation is calculated on the straight-line method over an estimated useful life of thirty years.
 - **Site Improvements** – Based on replacement cost, which approximates the allocation of the relative fair value. Depreciation is calculated on the straight-line method over an estimated useful life of eight years.
 - **Long-Term Debt** – The Company calculates the allocation of the relative fair value by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings.
- Replacements inside an apartment unit such as appliances and carpeting are depreciated over an estimated useful life of five to ten years. Renovation expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve and/or extend the useful life of the asset are capitalized over their estimated useful life, generally five to fifteen years. Initial direct leasing costs are expensed as incurred as such expense approximates the deferral and amortization of initial direct leasing costs over the lease terms.

Property sales or dispositions are recorded when control transfers to unrelated third parties, contingencies have been removed and sufficient cash consideration has been received by the Company. Upon disposition, the related costs and accumulated depreciation are removed from the respective accounts. Any gain or loss on sale is recognized in

accordance with accounting principles generally accepted in the United States.

The Company classifies real estate assets as real estate held for sale when it is probable a property will be disposed of (see below for further discussion).

The Company classifies properties under development and/or expansion and properties in the lease-up phase (including land) as construction-in-progress until construction has been completed and certificates of occupancy permits have been obtained.

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Impairment of Long-Lived Assets

The Company periodically evaluates its long-lived assets, including its investments in real estate, for indicators of impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal and environmental concerns, as well as the Company's ability to hold and its intent with regard to each asset. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment loss is warranted. If impairment indicators exist, the Company performs the following:

For long-lived operating assets to be held and used, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, the Company would record an impairment loss for the difference between the estimated fair value and the carrying amount of the asset.

For long-lived non-operating assets (projects under development and land held for development), management evaluates major cost overruns, market conditions that could affect lease-up projections, intent and ability to hold the asset and any other indicators of impairment. If any of the indicators were to suggest impairment was present, the carrying value of the asset would be adjusted accordingly to fair value.

For long-lived assets to be disposed of, an impairment loss is recognized when the estimated fair value of the asset, less the estimated cost to sell, is less than the carrying amount of the asset measured at the time that the Company has determined it will sell the asset. Long-lived assets held for sale and the related liabilities are separately reported, with the long-lived assets reported at the lower of their carrying amounts or their estimated fair values, less their costs to sell, and are not depreciated after reclassification to real estate held for sale.

Cost Capitalization

See the Real Estate Assets and Depreciation of Investment in Real Estate section for a discussion of the Company's policy with respect to capitalization vs. expensing of fixed asset/repair and maintenance costs. In addition, the Company capitalizes an allocation of the payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of major capital and/or renovation projects. These costs are reflected on the balance sheets as increases to depreciable property.

For all development projects, the Company uses its professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company capitalizes interest, real estate taxes and insurance and payroll and associated costs for those individuals directly responsible for and who spend their time on development activities, with capitalization ceasing no later than 90 days following issuance of the certificate of occupancy. These costs are reflected on the balance sheets as construction-in-progress for each specific property. The Company expenses as incurred all payroll costs of on-site employees working directly at our properties, except as noted above on our development properties prior to certificate of occupancy issuance and on specific major renovations at selected properties when additional incremental employees are hired.

During the years ended December 31, 2018, 2017 and 2016, the Company capitalized \$13.2 million, \$14.7 million and \$18.7 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less at the date of purchase to be cash

equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances at one or more institutions typically exceed the Federal Depository Insurance Corporation (“FDIC”) insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions’ non-performance.

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Fair Value of Financial Instruments, Including Derivative Instruments

The valuation of financial instruments requires the Company to make estimates and judgments that affect the fair value of the instruments. The Company, where possible, bases the fair values of its financial instruments, including its derivative instruments, on listed market prices and third party quotes. Where these are not available, the Company bases its estimates on current instruments with similar terms and maturities or on other factors relevant to the financial instruments.

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company seeks to manage these risks by following established risk management policies and procedures including the use of derivatives to hedge interest rate risk on debt instruments. The Company may also use derivatives to manage commodity prices in the daily operations of the business.

The Company has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, the Company has not sustained a material loss from these instruments nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives it currently has in place.

The Company recognizes all derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. In addition, fair value adjustments will affect either shareholders' equity/partners' capital or net income depending on whether the derivative instruments qualify as a hedge for accounting purposes and, if so, the nature of the hedging activity. When the terms of an underlying transaction are modified, or when the underlying transaction is terminated or completed, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income each period until the instrument matures. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market each period. The Company does not use derivatives for trading or speculative purposes.

Revenue Recognition

Rental income attributable to residential leases is recorded on a straight-line basis, which is not materially different than if it were recorded when due from residents and recognized monthly as it was earned. Leases entered into between a resident and a property for the rental of an apartment unit are generally year-to-year, renewable upon consent of both parties on an annual or monthly basis. Rental income attributable to retail/commercial leases is also recorded on a straight-line basis. Retail/commercial leases generally have five to ten year lease terms with market based renewal options. Fee and asset management revenue and interest income are recorded on an accrual basis.

Share-Based Compensation

The Company expenses share-based compensation such as restricted shares, restricted units and share options. Any common share of beneficial interest, \$0.01 par value per share (the "Common Shares") issued pursuant to EQR's incentive equity compensation and employee share purchase plans will result in ERPOP issuing units of partnership interest ("OP Units") to EQR on a one-for-one basis, with ERPOP receiving the net cash proceeds of such issuances. See Note 12 for further discussion.

The fair value of the option grants are recognized over the requisite service/vesting period of the options. The fair value for the Company's share options was estimated at the time the share options were granted using the

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Black-Scholes option pricing model with the primary grant in each year having the following weighted average assumptions:

	2018	2017	2016
Expected volatility (1)	14.8%	15.3%	26.3%
Expected life (2)	5	5	
	years	years	5 years
Expected dividend yield (3)	3.09%	3.08%	3.04%
Risk-free interest rate (4)	2.52%	1.93%	1.27%
Option valuation per share	\$6.15	\$5.86	\$13.02

- (1) Expected volatility – For the 2018 and 2017 grants, estimated based on the historical five-year volatility (the period matching the expected life) of EQR’s share price measured on a monthly basis. For the 2016 grant, estimated based on the historical ten-year volatility of EQR’s share price measured on a monthly basis. This change in estimate reflects the Company’s belief that the historical five-year period provides a better estimate of the expected volatility in EQR shares over the expected life of the options.
- (2) Expected life – Approximates the actual weighted average life of all share options granted since the Company went public in 1993.
- (3) Expected dividend yield – Calculated by averaging the historical annual yield on EQR shares for a period matching the expected life of each grant, with the annual yield calculated by dividing actual regular dividends (excluding any special dividends) by the average price of EQR’s shares in a given year.
- (4) Risk-free interest rate – The most current U.S. Treasury rate available prior to the grant date for a period matching the expected life of each grant.

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The valuation method and assumptions are the same as those the Company used in accounting for option expense in its consolidated financial statements. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model is only one method of valuing options. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the actual value of the options to the recipient may be significantly different.

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 were recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases in the comparable periods. These assets and liabilities were measured using enacted tax rates for which the temporary differences were expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities were recognized in earnings in the period enacted. The Company's deferred tax assets were 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. The Company elected REIT status for its primary TRS upon filing the 2016 tax return in the third quarter of 2017, with the election retroactive to January 1, 2016. As a result, the Company wrote-off its deferred tax assets, which were fully reserved, in the third quarter of 2017.

In December 2017, the President signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "Tax Act"). As of December 31, 2018, the Tax Act did not have a material impact on our REIT or subsidiary entities, our ability to continue to qualify as a REIT or on our results of operations.

The Company provided for income, franchise and excise taxes allocated as follows in the consolidated statements of operations and comprehensive income for the years ended December 31, 2018, 2017 and 2016 (amounts in thousands):

	Year Ended December 31,		
	2018	2017	2016
Income and other tax expense (benefit) (1)	\$878	\$478	\$1,613
Discontinued operations, net (2)	—	—	12
Provision for income, franchise and excise taxes (3)	\$878	\$478	\$1,625

(1) Primarily includes state and local income, excise and franchise taxes.

(2)

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Primarily represents state and local income, excise and franchise taxes on operating properties sold prior to January 1, 2014 and included in discontinued operations. The amounts included in discontinued operations for the year ended December 31, 2016 represent trailing activity for properties sold in 2013 and prior years. None of the properties sold during the years ended December 31, 2018, 2017 and 2016 met the criteria for reporting discontinued operations.

(3) All provisions for income tax amounts are current and none are deferred.

During the years ended December 31, 2018, 2017 and 2016, the Company's tax treatment of dividends and distributions were as follows (unaudited):

	Year Ended December 31,		
	2018 (1)	2017 (2)	2016
Tax treatment of dividends and distributions:			
Ordinary dividends	\$1.84454	\$1.22126	\$0.722
Long-term capital gain	0.21423	0.18959	9.176
Unrecaptured section 1250 gain	0.06498	0.10040	3.117
Dividends and distributions per			
Common Share/Unit outstanding	\$2.12375	\$1.51125	\$13.015

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- (1) The Company's fourth quarter 2018 dividends and distributions of \$0.54 per Common Share/Unit outstanding will be included as taxable income in calendar year 2019.
- (2) The Company's fourth quarter 2017 dividends and distributions of \$0.50375 per Common Share/Unit outstanding will be included as taxable income in calendar year 2018.

The unaudited cost of land and depreciable property, net of accumulated depreciation, for federal income tax purposes as of December 31, 2018 and 2017 was approximately \$14.0 billion and \$14.8 billion, respectively.

Noncontrolling Interests

A noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. In addition, consolidated net income is required to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and the amount of consolidated net income attributable to the parent and the noncontrolling interest are required to be disclosed on the face of the consolidated statements of operations and comprehensive income. See Note 3 for further discussion.

Operating Partnership: Net income is allocated to noncontrolling interests based on their respective ownership percentage of the Operating Partnership. The ownership percentage is calculated by dividing the number of OP Units held by the noncontrolling interests by the total OP Units held by the noncontrolling interests and EQR. Issuance of additional Common Shares and OP Units changes the ownership interests of both the noncontrolling interests and EQR. Such transactions and the related proceeds are treated as capital transactions.

Partially Owned Properties: The Company reflects noncontrolling interests in partially owned properties on the balance sheet for the portion of properties consolidated by the Company that are not wholly owned by the Company. The earnings or losses from those properties attributable to the noncontrolling interests are generally based on ownership percentage and are reflected as noncontrolling interests in partially owned properties in the consolidated statements of operations and comprehensive income.

Partners' Capital

The "Limited Partners" of ERPOP include various individuals and entities that contributed their properties to ERPOP in exchange for OP Units. The "General Partner" of ERPOP is EQR. Net income is allocated to the Limited Partners based on their respective ownership percentage of ERPOP. The ownership percentage is calculated by dividing the number of OP Units held by the Limited Partners by the total OP Units held by the Limited Partners and the General Partner. Issuance of additional Common Shares and OP Units changes the ownership interests of both the Limited Partners and EQR. Such transactions and the related proceeds are treated as capital transactions.

Redeemable Noncontrolling Interests – Operating Partnership / Redeemable Limited Partners

The Company classifies Redeemable Noncontrolling Interests – Operating Partnership / Redeemable Limited Partners in the mezzanine section of the consolidated balance sheets for the portion of OP Units that EQR is required, either by contract or securities law, to deliver registered Common Shares to the exchanging OP Unit holder. The redeemable noncontrolling interest units / 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. See Note 3 for further discussion.

Use of Estimates

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.

Reclassifications

Certain reclassifications considered necessary for a fair presentation have been made to the prior period financial statements in order to conform to the current year presentation. These reclassifications have not changed the results of operations or equity/capital.

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Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). The new standard requires the following:

Lessors – Leases are accounted for using an approach that is substantially equivalent to existing guidance for operating, sales-type and financing leases, but aligned with the new revenue recognition standard. Lessors are required to allocate lease payments to separate lease and non-lease components of each lease agreement, with the non-lease components evaluated under the new revenue recognition standard.

Lessees – Leases are accounted for using a dual approach, classifying leases as either operating or finance based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification determines whether the lease expense is recognized on a straight-line basis over the term of the lease (for operating leases) or based on an effective interest method (for finance leases). A lessee is also required to record a right-of-use asset and a lease liability on its balance sheet for all leases with a term of greater than 12 months regardless of their classification as operating or finance leases. Leases with a term of 12 months or less are accounted for similar to existing guidance for operating leases.

The new standard was effective for the Company effective January 1, 2019. The new standard was adopted using a modified retrospective method and the Company applied the new guidance as of the adoption date and elected certain practical expedients as described below.

The Company is the lessor for its residential and retail/commercial leases and these leases will continue to be accounted for as operating leases under the new standard. Therefore, the Company did not have significant changes in the accounting for its lease revenues.

The Company is the lessee under various corporate office and ground leases, which will be recognized as right of use assets and related lease liabilities on its consolidated balance sheets in the first quarter of 2019. The Company’s corporate office leases where it is the lessee will continue to be accounted for as operating leases under the new standard. Based on its election of the practical expedients, the Company was not required to reassess the classification of existing ground leases and therefore these leases will continue to be accounted for as operating leases. However, in the event we materially modify existing ground leases and/or enter into new ground leases after adoption of the new standard, such leases will likely be classified as finance leases. The Company will record right of use assets and related lease liabilities to its opening balance sheet upon adoption of the new standard on January 1, 2019 that will approximate \$300.0 million. The Company has determined the approximate discount rate ranges of 3.3% to 3.9% for corporate office leases and 4.4% to 5.5% for ground leases. The discount rates were determined using the Company’s borrowing rates (actual pricing through 30 years and other long-term market rates).

In July 2018, the FASB issued an amendment to the new leases standard, which includes a practical expedient that provides lessors an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the new leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. The Company elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard and elected the new transition option as of the date of adoption effective January 1, 2019.

In June 2016, the FASB issued a new standard which requires companies to adopt a new approach for estimating credit losses on certain types of financial instruments, such as trade and other receivables and loans. The standard requires entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. In November 2018, the FASB issued an amendment excluding operating lease receivables accounted for under the new leases standard from the scope of the new credit losses standard. The new standard will be effective for the Company beginning on January 1, 2020, with early adoption permitted beginning January 1, 2019. The Company is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In August 2017, the FASB issued a final standard which makes changes to the hedge accounting model to enable entities to better portray their risk management activities in the financial statements. The new standard expands an entity's ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk and eases certain documentation and assessment requirements. The new standard also eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of any hedging instrument to be presented in the same income statement line as the hedged instrument. The Company adopted this new standard as required effective January 1, 2019 and it did not have a material effect on its consolidated results of operations or financial position.

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Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard entitled Revenue from Contracts with Customers that superseded nearly all existing revenue recognition guidance. The new standard specifically excludes lease revenue. The new standard's core principle is that a company recognizes 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 or services. Companies will likely need to use more judgment and make more estimates than under previous 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 may be applied retrospectively to each prior period presented or prospectively with the cumulative effect, if any, recognized as of the date of adoption. The Company selected the modified retrospective transition method as of the date of adoption as required effective January 1, 2018. Approximately 94% of rental income consists of revenue from leasing arrangements, which is specifically excluded from the standard (included as leasing revenue in the table below). The Company analyzed its remaining revenue streams, inclusive of fee and asset management and gains and losses on sales, and concluded these revenue streams have the same timing and pattern of revenue recognition under the new guidance, and therefore the Company had no changes in revenue recognition with the adoption of the new standard. As such, adoption of the standard did not result in a cumulative adjustment recognized as of January 1, 2018, and the standard did not have a material impact on the Company's consolidated financial position, results of operations, equity/capital or cash flows.

For the remaining approximately 6% of rental income that is subject to the new revenue recognition standard, the Company's disaggregated revenue streams are disclosed in the table below for the year ended December 31, 2018. These revenue streams have the same timing and pattern of revenue recognition across our reportable segments, with consistent allocations between the leasing and revenue recognition standards. The revenue streams and percentages are comparable with the percentage of rental income for the years ended December 31, 2017 and 2016.

The following table presents the disaggregation of revenue streams of our rental income for the year ended December 31, 2018 (amounts in thousands):

Revenue Stream	Applicable Standard	Year Ended December 31, 2018		
		Rental Income	Amount of	Percentage of Rental Income
Leasing revenue	Leases	\$2,418,168		93.8 %
Utility recoveries ("RUBS")	Revenue Recognition	63,218		2.5 %
Parking revenue	Revenue Recognition	26,743		1.0 %
Other revenue	Revenue Recognition	69,552		2.7 %
Rental income		\$2,577,681		100.0 %

Additionally, as part of the new revenue recognition standard, the FASB issued amendments related to partial sales of real estate. Adoption of the new partial sales standard did not result in a change of accounting for the Company related to its disposition process. We concluded that the Company's typical dispositions will continue to meet the criteria for sale and associated profit recognition under both new standards.

In January 2016, the FASB issued a new standard which requires companies to measure all equity securities with readily determinable fair values at fair value on the balance sheet, with changes in fair value recognized in net income. The Company adopted this new standard as required effective January 1, 2018 and it did not have a material effect on its consolidated results of operations or financial position.

In August 2016 and October 2016, the FASB issued new standards to clarify how specific transactions are classified and presented on the statement of cash flows. Among other clarifications, the new standards specifically provide guidance for the following items within the statement of cash flows which have required significant judgment in the past:

- Cash payments related to debt prepayments or extinguishment costs are to be classified within financing activities;
- The portion of the cash payment made to settle a zero-coupon bond or a bond with an insignificant cash coupon attributable to accreted interest related to a debt discount is to be classified as a cash outflow within operating activities, and the portion attributable to the principal is to be classified within financing activities;
- Insurance settlement proceeds are to be classified based on the nature of the loss;
- Companies must elect to classify distributions received from equity method investees using either a cumulative earnings approach or a look-through approach and the election must be disclosed; and

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Restricted cash will be included with cash and cash equivalents on the statement of cash flows. Total cash and cash equivalents and restricted cash are to be reconciled to the related line items on the balance sheet.

The new standards were applied retrospectively to all periods presented in the consolidated financial statements. The Company adopted the standard in the fourth quarter of 2017 and continued to apply the look-through approach for distributions received from equity method investees. While overall cash flows did not change, there were changes between cash flow classifications due primarily to the debt prepayment penalties that the Company had incurred in comparative periods.

In January 2017, the FASB issued a new standard which clarified the definition of a business. The standard added additional guidance that assists companies in determining whether transactions should be accounted for as an asset acquisition or a business combination. The new standard first requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If this threshold is not met, the entity next evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Among other differences, transaction costs associated with asset acquisitions are capitalized while those associated with business combinations are expensed as incurred. In addition, purchase price in an asset acquisition is allocated on a relative fair value basis while in a business combination it is generally measured at fair value. The new standard is applied prospectively to any transactions occurring within the period of adoption. The Company early adopted the new standard as allowed effective January 1, 2017. The Company anticipates that substantially all of its transactions will now be accounted for as asset acquisitions, which means transaction costs will largely be capitalized as noted above.

Other

The Company is the controlling partner in various consolidated partnerships owning 17 properties consisting of 3,535 apartment units having a noncontrolling interest deficit balance of \$2.3 million at December 31, 2018. 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 four properties having a noncontrolling interest deficit balance of \$9.6 million. These four 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 December 31, 2018 the Company estimates the value of Noncontrolling Interest distributions for these four properties would have been approximately \$70.4 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 four 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 December 31, 2018 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.

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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) for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Common Shares			
Common Shares outstanding at January 1,	368,018,082	365,870,924	364,755,444
Common Shares Issued:			
Conversion of OP Units	131,477	1,149,284	88,838
Exercise of share options	1,056,388	846,137	815,044
Employee Share Purchase Plan (ESPP)	75,414	68,286	63,909
Restricted share grants, net	123,800	83,451	147,689
Common Shares outstanding at December 31,	369,405,161	368,018,082	365,870,924
Units			
Units outstanding at January 1,	13,768,438	14,626,075	14,427,164
Restricted unit grants, net	267,074	291,647	287,749
Conversion of OP Units to Common Shares	(131,477)	(1,149,284)	(88,838)
Units outstanding at December 31,	13,904,035	13,768,438	14,626,075
Total Common Shares and Units outstanding at December 31,	383,309,196	381,786,520	380,496,999
Units Ownership Interest in Operating Partnership	3.6	% 3.6	% 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 cannot 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 December 31, 2018 and 2017.

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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 December 31, 2018, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately \$379.1 million, which represents the value of Common Shares that would be issued in exchange for 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 years ended December 31, 2018, 2017 and 2016, respectively (amounts in thousands):

	2018	2017	2016
Balance at January 1,	\$366,955	\$442,092	\$566,783
Change in market value	13,922	(41,916)	(115,093)
Change in carrying value	(1,771)	(33,221)	(9,598)
Balance at December 31,	\$379,106	\$366,955	\$442,092

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 December 31, 2018 and 2017:

	Call Date (1)	Annual Dividend Per Share (2)	Amounts in thousands	
			December 31, 2018	December 31, 2017
Preferred Shares of beneficial interest, \$0.01 par value;				

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100,000,000 shares authorized:

8.29% Series K Cumulative Redeemable Preferred;

liquidation value \$50 per share; 745,600 shares issued and

outstanding as of December 31, 2018 and 2017	12/10/26	\$ 4.145	\$ 37,280	\$ 37,280
			\$ 37,280	\$ 37,280

(1) On or after the call 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.

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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 years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
General and Limited Partner Units			
General and Limited Partner Units outstanding at January 1,	381,786,520	380,496,999	379,182,608
Issued to General Partner:			
Exercise of EQR share options	1,056,388	846,137	815,044
EQR's Employee Share Purchase Plan (ESPP)	75,414	68,286	63,909
EQR's restricted share grants, net	123,800	83,451	147,689
Issued to Limited Partners:			
Restricted unit grants, net	267,074	291,647	287,749
General and Limited Partner Units outstanding at December 31,	383,309,196	381,786,520	380,496,999
Limited Partner Units			
Limited Partner Units outstanding at January 1,	13,768,438	14,626,075	14,427,164
Limited Partner restricted unit grants, net	267,074	291,647	287,749
Conversion of Limited Partner OP Units to EQR Common Shares	(131,477)	(1,149,284)	(88,838)
Limited Partner Units outstanding at December 31,	13,904,035	13,768,438	14,626,075
Limited Partner Units Ownership Interest in Operating Partnership	3.6	% 3.6	% 3.8

The Limited Partners of the Operating Partnership as of December 31, 2018 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 cannot 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 December 31, 2018 and 2017.

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 December 31, 2018, the Redeemable Limited Partner Units have a redemption value of approximately \$379.1 million, which represents the value of Common Shares that would be issued in exchange for the Redeemable Limited Partner Units.

The following table presents the changes in the redemption value of the Redeemable Limited Partners for the years ended December 31, 2018, 2017 and 2016, respectively (amounts in thousands):

	2018	2017	2016
Balance at January 1,	\$366,955	\$442,092	\$566,783
Change in market value	13,922	(41,916)	(115,093)
Change in carrying value	(1,771)	(33,221)	(9,598)
Balance at December 31,	\$379,106	\$366,955	\$442,092

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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 December 31, 2018 and 2017:

		Amounts in thousands	
	Annual Dividend	December 31, 2018	December 31, 2017
Call Date (1)	Per Unit (2)		
Preference Units:			
8.29% Series K Cumulative Redeemable Preference Units;			
liquidation value \$50 per unit; 745,600 units issued and			
outstanding as of December 31, 2018 and 2017	12/10/26 \$ 4.145	\$37,280	\$ 37,280