

# 2019 Annual Report





- **Equity Residential is committed to creating communities where people thrive. The Company, a member of the S&P 500, is a leading real estate company focused on the acquisition, development and management of high quality rental apartment properties located in urban and high density suburban markets in select U.S. cities.**
- **We were founded by our Chairman Sam Zell and are led by an experienced management team.**
- **We are the largest publicly traded owner of rental apartment properties with an enterprise value in excess of \$30 billion and a portfolio of assets totaling approximately 80,000 apartment units in six major coastal metropolitan areas and Denver.**

As we write this letter in April 2020, the world has been impacted by the COVID-19 pandemic. Equity Residential is proud to be able to provide a secure place to live for 150,000 residents in these uncertain times and especially proud of our 2,700 employees who are continuing to work both at our properties as well as remotely to keep our business operating. For our residents who have been economically impacted, we have put in place expanded payment flexibility and for our employees we have expanded our benefits to support them. We are working hard to rise to the challenge and are confident that working together we will do so. At Equity Residential, we are:

#### **Supporting Our Residents by:**

- **Halting evictions** through late June for those who can document that they have been adversely financially impacted by the COVID-19 pandemic.
- **Currently offering resident renewals with no increase** and providing flexible lease renewal options through late June to help residents weather the crisis.
- **Creating payment plans** for residents who are unable to pay their rent because of the pandemic and **waiving late fees** for those residents.
- **Identifying** governmental and community resources to help residents secure food, financial assistance and healthcare and sharing that information with residents.

#### **Supporting our Employees by:**

- Providing each employee with extended emergency leave.
- Limiting hours on site, but not reducing compensation, and limiting in-person contact while continuing essential maintenance activities such as emergency repairs and life/safety.

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### **Dear Fellow Shareholders:**

2019 was a very good year for Equity Residential. We saw continued strong demand to live in our well-located urban and dense suburban properties in the metro areas in which we do business. And our excellent customer service led to a record level of resident retention and very high levels of customer satisfaction. Our markets continue to be the knowledge centers of the U.S. economy, pulling in the talented workers and the employers that are driving economic growth in the United States.

At Equity Residential, we are proud of our track record of astute capital allocation. Real estate is a capital intensive business and we appreciate the trust that you have placed in us to create value throughout the real estate cycle by allocating your capital in a superior risk adjusted manner. We are also proud of the best-in-class operating platform that we have developed to run our properties. Our 2,700 employees are focused on delivering remarkable customer service to our residents so they will stay with us longer, be willing to pay higher rent for a great experience and will tell their friends about how much they love living in an Equity Residential property. We have a conservative balance sheet that enhances returns and value creation while

maintaining capacity to take advantage of the next opportunity. We believe that our stakeholders value stability, liquidity, predictability and accountability and that is the mission to which we remain unwaveringly committed.

At Equity Residential, our purpose is “Creating Communities Where People Thrive.” We carry that purpose through our relationships with our customers, our employees, our shareholders and the communities in which we operate. It drives our commitment to sustainability, diversity and inclusion, the total well-being of our employees and being a responsible corporate citizen in the communities in which we operate and it is especially relevant when we face challenges like the pandemic. We call these commitments our Equity Values.

## THE EQUITY DIFFERENCE

By efficiently managing our business, leveraging our size and scale and deploying capital in a prudent risk-adjusted manner, we drive growth for the long term.

### The Equity Difference: Building Blocks Driving Growth

#### Illustrative Growth

|   |          |               |  |
|---|----------|---------------|--|
| Same Store NOI Performance<br>(Core Business) |          | 2%-4%         | ➤ Annual percentage growth in unlevered same store NOI.  |
| Platform<br>(Efficiencies and Leverage)       | +        | 1%            | ➤ Impact of existing capital structure in leveraging same store NOI growth.<br>➤ Gains in operating efficiencies.  |
| External Growth<br>(Capital Allocation)       | +        | 1%-2%         | ➤ Leverage neutral growth from deploying free cash flow after distributions (net of capex and dividends) plus debt capacity from Normalized EBITDAre growth. |
| <b>Normalized FFO Growth</b>                  | <b>=</b> | <b>4%-7%</b>  |  |
| Dividend Yield                                | +        | 3%            |  |
| <b>Annual Total Return</b>                    | <b>=</b> | <b>7%-10%</b> |  |

**EQR 10-Year Total Shareholder Return CAGR: 14.3%\***

\*Through 12/31/2019

## OUR INVESTMENT STRATEGY

The knowledge-based economy is driving much of the growth in our country and we have focused our portfolio in the heart of this economy, in urban and high density suburban locations in Boston, New York, Washington, DC, Southern California, San Francisco, Seattle and now, Denver. Notwithstanding today's pandemic, over time these places will continue to grow, creating high-wage jobs that attract large segments of the population opting for high-quality, well-located rental housing. These are also the markets that feature the highest cost of single-family home ownership making rental housing a cost-attractive option. There are permanent populations of affluent renters in these places that are attracted to a lifestyle where they can complete their errands by walking or have easy access to public transportation.

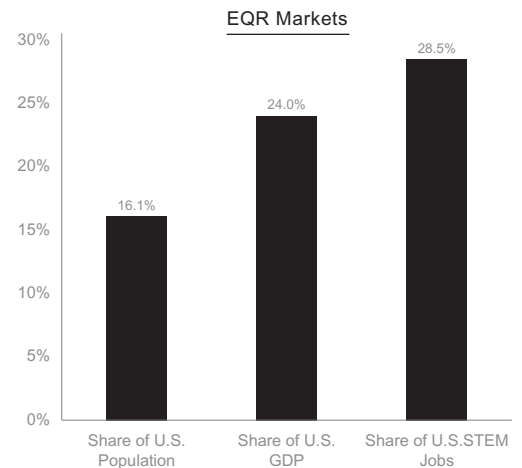
By focusing our business in these markets, we have attracted high-quality customers. Our resident base works in the highest earning sectors of the economy and is not rent burdened – which creates an ability to raise rents more readily in good economic times and lower bad debt exposure and more resiliency during economic downturns.

|  |
|--|
| EQR Median Resident Age: 33 years old                  |
| 2019 EQR Average Household Income: \$164,271           |
| 2019 U.S. Average Household Income: \$87,864           |
| 2019 Average EQR Resident Rent as a % of Income: 19.4% |

In fact, there are over 2.4 million renter households making greater than \$100,000 a year in EQR's markets. Many of these workers are employed in the fields of Science, Technology, Engineering and Mathematics, or STEM jobs.

## EQR Markets are Driving the Growth in Today's Knowledge Economy

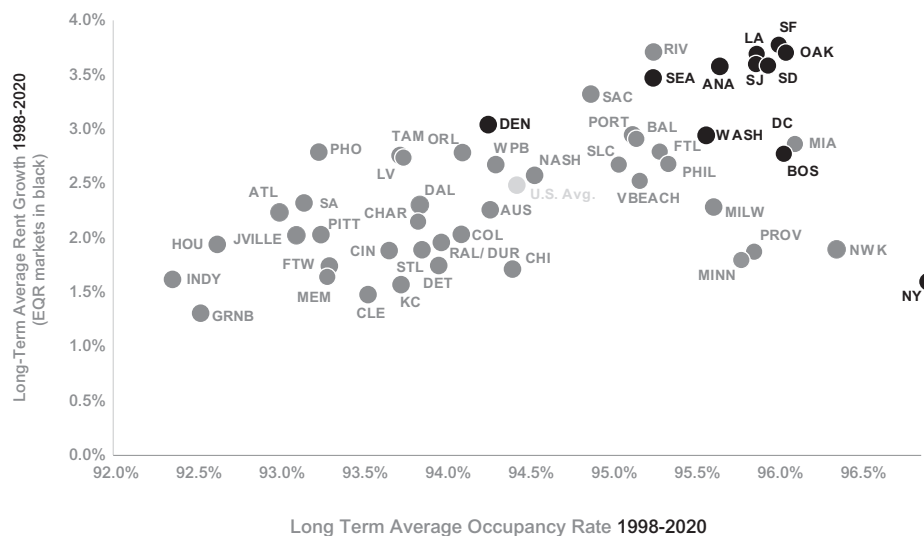
- EQR markets generate a much higher % of GDP than their share of the population.
- More than 2.6 Million STEM jobs, or nearly 30% of U.S. total, are located in EQR markets.
- STEM jobs in highly coveted and-in-demand careers that are paving the way for the future.
- Average STEM salary in EQR markets: \$110,000



Source: Rosen Consulting Group  
STEM: Science, Technology, Engineering and Mathematics.

We regularly review our portfolio strategy, looking at the mix of markets and submarkets as well as individual assets. We want to be in markets that feature characteristics that we think lead to long-term outperformance for a rental market: strong high wage job growth, high single family home prices and a very attractive lifestyle for our target demographic. There are markets that we do not currently operate in that share many of the key characteristics of our existing markets and as part of our continued program of portfolio refinement, you may see us add another market or two in the future. We will also likely work to increase the percentage of our portfolio in dense suburban submarkets to bring us more balance.

## EQR Markets Have the Best Long-Term Average Rent Growth & Occupancy 1998-2020



Source: Real Page, Inc.

The current demand to own apartment assets in our markets remains strong. In our first quarter 2020 annual review, which was done before the pandemic, we saw capitalization (cap) rates and values improve in our markets, except for New York, where there has not been enough transaction activity post the recently enacted rent control regulations to make a strong conclusion.

## INVESTMENT STRATEGY HIGHLIGHTS

In 2019 Equity Residential:

- Acquired \$1.5 billion of apartment properties that were on average two years old with a weighted average Acquisition Cap Rate of 4.7% and sold \$1.1 billion of apartment properties that were on average 34 years old at a weighted average Disposition Yield of 4.6%, which we believe improved portfolio quality and long-term returns and did so with no Normalized FFO dilution. The assets sold generated an Unlevered IRR of 7.8%
- Continued our re-entry to the Denver market with the purchase of three apartment properties (which are included in the count above). The Company now owns and operates approximately 1,600 apartment units in the Denver market.
- Substantially completed construction on two properties, in Boston and Seattle, totaling approximately \$116.8 million of development costs at a weighted average Development Yield of 5.4% and stabilized one project totaling approximately \$85.3 million of development costs at a Development Yield of 5.6%.

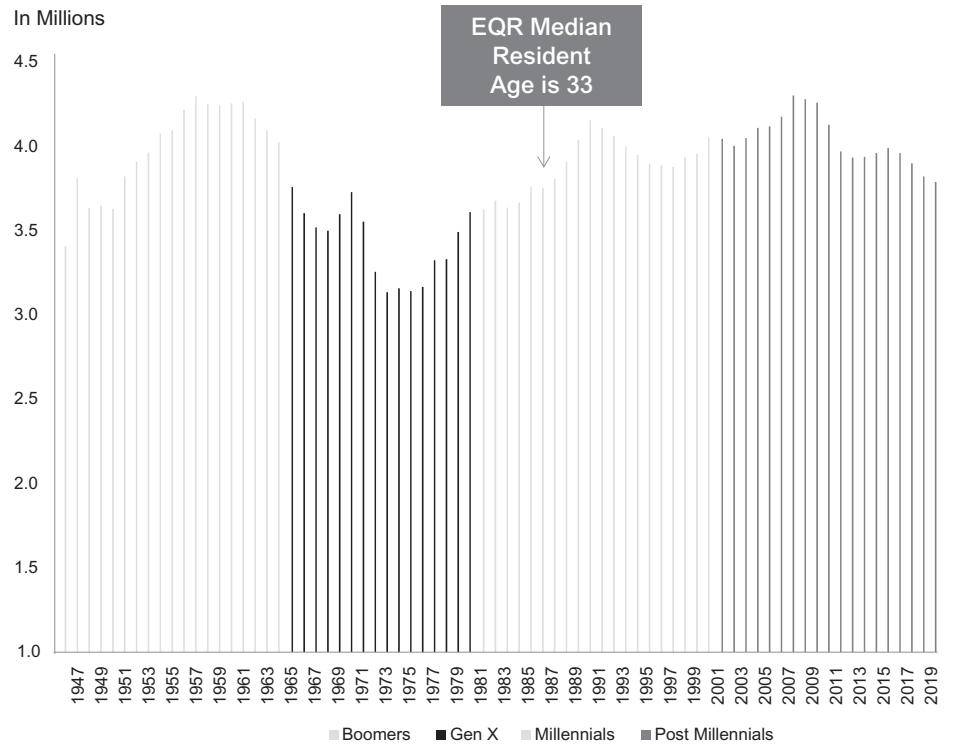
We were a net acquirer of assets by about \$400 million in 2019 as we saw opportunities to utilize our balance sheet to add stable streams of income and cash flow to our portfolio.

## THE DRIVERS OF DEMAND IN OUR MARKETS

There continues to be strong demand for rental housing in our markets and, in particular, for the high-quality, well-located assets that we own and manage. Demand for rental housing is driven primarily by household formations from the Millennial segment of our population, the young adults born between 1981 and 2000. There are currently approximately 78 million people in this segment of the population, and they are disproportionately renters. We will continue to see demand from this group as the largest sub-segment of this cohort is now turning 29 years old while the median age of our resident is 33 years old. After the Millennials comes Generation Z, which comprises the more than 70 million people born between 2001 and 2014. Equity Residential is extremely well positioned to benefit for many years to come as a result of the huge impact these generations will have on rental housing.

The Millennials and Generation Z are certainly an important part of today's renting demographic, but they are not the whole story. People of all ages and walks of life are participating in the re-urbanization of our nation. They are attracted to the urban core and dense suburban centers because of the ease of access to public transportation, dining, entertainment, culture, night life, education, employment, health care and more. In fact, currently, about 17% of our apartment units are occupied by people age 50 and older. The demographic picture across our nation is a powerful generator of current and future demand for rental housing. And, as much of this demand will be in the high density urban and suburban centers of our markets, we believe we are extraordinarily well positioned to benefit from this demand.

## Demographics Will Continue to Create Renter Households

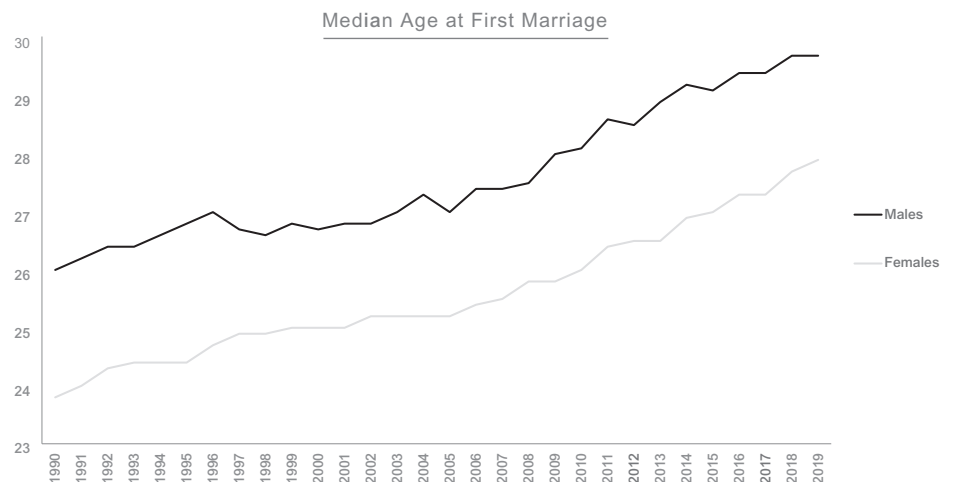


Source: Rosen Consulting Group.

The flexibility of rental housing is what makes it so attractive to young adults. The delay that many young people are making in their life choices, particularly the decision to purchase a first home, has definitely benefitted our business. The Millennial Generation is marrying later and having children later in life than its predecessors and therefore are likely to stay in rental housing significantly longer than past generations. We see this in our portfolio as our residents renew their leases with us at a record rate.

## Lifestyle Choices Are Keeping People Renting Longer

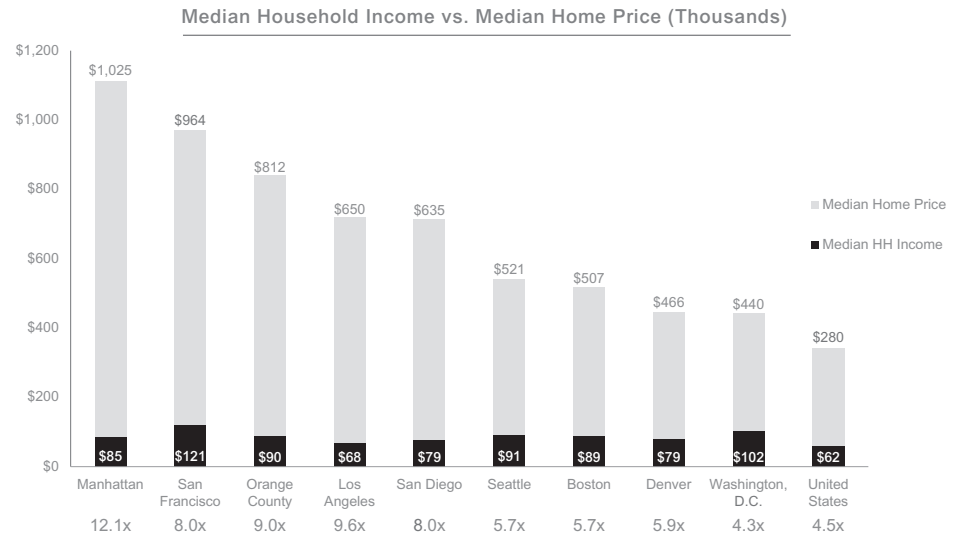
People are marrying later and having children later, which are key drivers behind this trend. Approximately 50% of American adults are single.



Source: Census, Rosen Consulting Group.

Many of our residents remain in rental housing longer because the ability to own a home is very difficult in our markets as median home prices are high and well above the national average. So while our residents generally have high incomes and do not pay a disproportionate amount of their income in rent, these high single family home costs and corresponding large down payment requirements do make home ownership far less likely.

## EQR Markets have a High Cost of Single Family Housing, Creating More Demand to Rent



Notes: Latest data as of Q3 2019

We also benefit from the fact that many people buy a single family home for lifestyle reasons, often when they are having children and looking for a place to raise their families. More than 40% of our apartment units are occupied by a single resident, a demographic that has an extremely low propensity to purchase a home. In fact, we saw less than 6% of our residents leave us to buy a home in 2019, which is the same level that we have seen over the last six years.

While the pandemic has certainly had a significant impact on all areas of our country, including the urban centers and dense suburban areas in which we do business, our experience teaches us that the desire to live in urban and dense suburban centers is unlikely to be impacted in the longer term. After the 9/11 attack, there was concern that people would flee the cities for the perceived security of less dense, less visible areas. For our target demographic, this proved not to be the case. In fact, it was quite the opposite. Much of the re-urbanization of our country has actually taken place since 2001. Our country and our great urban centers are highly adaptable as they have proven over long periods of time and over many cycles.

## NEW SUPPLY

Given the strong renter demand as well as the strong demand from institutional investors for exposure to our sector, it is not surprising that we have seen elevated levels of supply in our markets over the last several years. After all, these markets have been storehouses of value for generations.

The good news is that in 2019 this elevated supply was well absorbed as the demand to live in our markets continues to be very strong and we believe that over the longer term this trend will continue even if demand temporarily declines in the expected 2020 recession.

## PUTTING OUR FREE CASH FLOW TO WORK

In recent years, we generated approximately \$250 to \$300 million in annual free cash flow after paying our dividends and our capital expenditures. We have been using this cash flow to meet our development pipeline funding obligations as that activity has produced a tremendous return on investment. We continue to look for development opportunities and currently have modest development funding obligations for 2020 and 2021, which will give us flexibility in case opportunities increase.

Another good use of our free cash flow is to use that capital on other shareholder beneficial activities, including a recently announced 6.2% increase in our common share annual dividend.

We have had great success with unit renovations and see them as an area where we can put free cash flow to work and create significant value. We typically spend approximately \$40 million each year renovating kitchens and baths to keep our assets competitive in the marketplace while delivering strong returns on incremental capital. We also typically spend several million dollars annually on customer facing renovation projects in our common areas – like club rooms, lobbies and gyms – in order to ensure that our properties remain competitive with newly



delivered properties in our markets. We are pleased to report that we are able to do all of this while keeping our capital spending to approximately 8% of average rents, which is considerably lower than the sector average.

The COVID-19 pandemic has led us to temporarily slow our capital expenditures, including our renovation and development activities. Governmental movement restrictions and the closure of many permitting and inspection agencies make continuing these activities now difficult.

## **2019 OPERATING PERFORMANCE**

In 2019 Equity Residential:

- Reached the high end of our original guidance for growth in year-over-year Same Store revenue and Net Operating Income, driven by strong demand and record resident satisfaction and retention.
- Produced earnings per share ("EPS") of \$2.60, FFO of \$3.39 per share and Normalized FFO of \$3.49 per share. EPS, FFO per share and Normalized FFO per share all exceeded the ranges of our original guidance.
- Increased our dividend by 5.1% in March 2019, reflecting the Company's strong cash generation.

## **2020 OPERATING PERFORMANCE**

It seems likely that our country will enter a recession in 2020 as a result of the shock from the COVID-19 pandemic and the related temporary closure of vast portions of our economy. However, apartments have generally performed well compared to other investment types during downturns because shelter is an essential need. Also, in recent recessions, the Company's high quality properties and resident base has performed relatively well, but the pandemic is obviously an unprecedented situation. While our Company will be impacted from the general shock to the economy, our conservative capital structure and modest near term funding needs leave us well positioned to weather the storm and take advantage once the situation improves.

## **FOCUS ON OPERATIONS AND INNOVATION**

In 2020, we will manage our approximately 75,000 apartment unit same store portfolio to focus on customer service and resident retention, which continues to pay off for us. These are particularly important operating principles if 2020 ends up as a recession year. Some of the pandemic-related activities we mention at the beginning of this letter are likely to reduce renewal rate growth but improve resident retention. Our high resident satisfaction scores in 2019 contributed to the strongest retention in our history and should help us retain residents through whatever challenges 2020 presents.

We know that our customers have many options when it comes to renting a high quality, well-located apartment in our markets. Providing exceptional customer service and creating a community where our residents can thrive is the key to our continued success and it is a goal that our entire team shares. We expect that our exceptional customer service and our pandemic-related retention actions will further aid in maintaining retention above historical levels in 2020.

Equity Residential was an early adapter of technology in the apartment business. We helped pioneer the pricing systems widely used in the industry today and built one of the first truly-integrated operating platforms. Through this platform:

- We utilize a customized pricing system to maximize new lease rents by using market data on current and projected demand and availability to create both spot and forward pricing every day for every single unit we manage.
- We focus on the resident experience with the motivation of retaining our residents. This focus has driven the remarkable renewal rate growth that we have achieved over the last several years.
- We use a standardized, centralized purchasing system to control our operating expenses and a business intelligence platform that allows all our team members to quickly identify and address issues and opportunities.

We will continue to be leaders in operational innovation by focusing on enhancing our operating platform through centralization, digitization and new technology. Our operations will benefit from this technology as we navigate through the current environment of social distancing. Tools like an Artificial Intelligence E-lead Response, Self-Guided Tours for prospective residents, a mobile service app and flex staffing allow us to meet the needs of our current and potential customers in a manner that works for them.

## **RENT CONTROL REGULATION AND ADDRESSING THE AFFORDABLE HOUSING SHORTAGE**

In 2019, both New York and California passed new rent control regulations, which will have a modestly negative impact on our same store revenue growth in 2020. We agree that there is a lack of affordable, work-force housing in many U.S. markets but the truly unfortunate situation is that none of this legislation did anything to encourage the construction of this housing. We are opposed to rent control as it has been proven time and time again, to be failed policy. We support market-based solutions to address affordability issues including zoning regulations that encourage density, regulatory reforms that lower building costs and public/private partnerships to build and fund more housing. We will continue to work with industry organizations and local governments to find better solutions for this issue.

## **FINANCIAL STABILITY**

We have long believed that prudent capital management through operating cycles and transformative events creates financial flexibility, superior access to capital and reduced interest rate risk. We have been and continue to be committed to maintaining strong credit metrics and financial flexibility, characterized by low leverage and excellent liquidity, which preserves shareholder value during capital market dislocations and provides us with the capability to take advantage of opportunities when others may be capital constrained. The nature of real estate is cyclical and capital intensive, which leads us to maintain access to multiple sources of capital including the unsecured bond market as well as Fannie Mae, Freddie Mac and the life insurance companies.

Some 2019 Highlights:

- Historically low 5.1x Net Debt to Normalized EBITDA
- Rated A-/A3/A by S&P, Moody's and Fitch, which are some of the highest long-term senior unsecured credit ratings in the real estate business.
- Enhanced liquidity by increasing our unsecured revolving credit facility to \$2.5 billion from \$2.0 billion and extending the maturity to November 2024 from January 2022 and increasing our unsecured commercial paper program to \$1.0 billion from \$500 million.
- We have taken advantage of positive near-term arbitrage opportunities by locking in historically low interest rates and extending weighted average maturity from six years in 2013 to nearly nine years today:
  - Issued \$600 million in 10-year unsecured debt with a 3.0% coupon and \$600 million in 10-year unsecured debt with a 2.5% coupon and a 2.56% yield, at the time the lowest 10-year yield in REIT history.
  - Reduced debt costs by approximately 40 basis points (3.86% weighted average coupon at December 31, 2018 to 3.47% weighted average coupon at December 31, 2019).
- Maintain a well-staggered debt maturity schedule and limited near-term funding obligations with nearly 90% of our assets unencumbered.

We are pleased to have consistently demonstrated the benefits of our conservative balance sheet management through numerous operating cycles and transformative events.

## **OUR COMMITMENT TO ESG**

Creating Communities Where People Thrive is our purpose at Equity Residential and communities cannot thrive if its members are not committed to environmental, social and governance issues. At Equity Residential, we channel our efforts through investments in our

people, our properties and the communities in which we do business. For our people, this is a commitment to our “Equity Values” which includes Sustainability, Diversity & Inclusion, Corporate Social Responsibility and Total Wellbeing. Our Equity Values Council, which is led by employees, helps drive our efforts on these important issues by acting as champions on these issues, being a sounding board for our employees and acting as change agents to drive initiatives and create awareness. We also engage our stakeholders for feedback on key issues and environmental, social and governance factors, which helps guide our investment and operating strategy.

Some Highlights:

- Were recognized as an Industry Leader in ESG in 2019 by GRESB and a 2019 Portfolio of the Year Finalist by the U.S. Department of Energy’s Better Buildings Challenge (LA).
- Made continued strides on Diversity & Inclusion with notable results in our operations team where 43% of our corporate leaders are now female and 70% of our community operations leaders are now female.

We publish an annual ESG report each fall, which is available in the Investors section of our website. We continue to enhance our report to improve transparency on our goals and accomplishments.

## A FOCUS ON OUR EMPLOYEES

The key to a great organization is fantastic people and our team is the best. They make us proud every day in their commitment to their customers, their colleagues and their communities. We were very pleased to maintain strong Glassdoor scores and improved employee retention in 2019. We are especially proud of their work in serving their communities through service. Here are some highlights from 2019:



Greater Chicago Food Depository – Chicago, IL



Golden Harvest Food Bank – Augusta, GA



Walk for Hunger – Boston, MA

We are incredibly fortunate to have a very strong Board of Trustees made up of thoughtful and highly-engaged individuals with a variety of backgrounds who are dedicated to working with our management team and the whole organization to create value for our shareholders.

One of the best is Chuck Atwood, who will retire from our Board of Trustees in conjunction with our Annual Meeting of Shareholders in June. Chuck joined our Board in 2003 and has served as our Lead Independent Trustee since 2009. Chuck is a thoughtful and insightful Trustee and has been a mentor and friend to both the Board and our executive team and he will be truly missed. We are pleased that Steve Sterrett, pending his re-election, will assume the role of Lead Trustee upon Chuck's retirement.

Our Board acknowledges the importance of board refreshment and has been laser focused on this key topic. Since 2017, four trustees, including Chuck Atwood, have retired and been replaced with trustees with diverse backgrounds and perspectives. As part of this refreshment

process, we are pleased to have added Zia Huque to the Board in November. Zia brings us a wealth of expertise having spent more than 30 years in finance on Wall Street in multiple executive positions leading investment banking and sales and trading functions

We are very pleased to have a diverse, independent Board. A snapshot of the Board composition post our annual meeting, if the twelve nominees are re-elected:

- Gender Diversity: 25% Women
- Racial/Ethnic Diversity: 25% Diverse
- Independence: 75% Independent
- Tenure: 7.3 Years on Average for Independent Trustees

## 2020 AND BEYOND

We will continue to harness innovation and utilize technology to improve the resident experience and better operate our portfolio. We will also continue to refine our portfolio by expanding it to select new markets that have demand and supply characteristics similar to our existing markets. Our balance sheet remains strong and will serve as our shield during the upcoming economic challenges brought on by the pandemic and, eventually, as a key tool to help us take advantage of the inevitable opportunities that result from downturns.

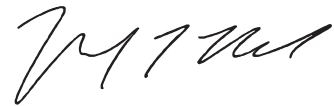
Equity Residential is well positioned to benefit from the growth in the knowledge economy as well as strong demographic trends and we look forward to many years of growing income, dividends and shareholder value on your behalf.

We appreciate your continued support.

Regards,



Sam Zell  
Chairman



Mark J. Parrell  
President and CEO

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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, 2019**

**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**  
**(Address of principal executive offices) (Zip Code)**

**13-3675988 (Equity Residential)**  
**36-3894853 (ERP Operating Limited Partnership)**  
**(I.R.S. Employer Identification No.)**  
**(312) 474-1300**  
**(Registrant's telephone number, including area code)**

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

| <b>Title of each class</b>   | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|--|--------------------------|--|
| Common Shares of Beneficial Interest,<br>\$0.01 Par Value (Equity Residential) | EQR                      | New York Stock Exchange                          |
| 7.57% Notes due August 15, 2026<br>(ERP Operating Limited Partnership)         | N/A                      | New York Stock Exchange                          |

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 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            | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer              | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company            | <input type="checkbox"/>            |                           |                          |
| ERP Operating Limited Partnership: |                                     |                           |                          |
| Large accelerated filer            | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer              | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company            | <input type="checkbox"/>            |                           |                          |

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 \$27.9 billion based upon the closing price on June 30, 2019 of \$75.92 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 14, 2020 was 371,978,449.

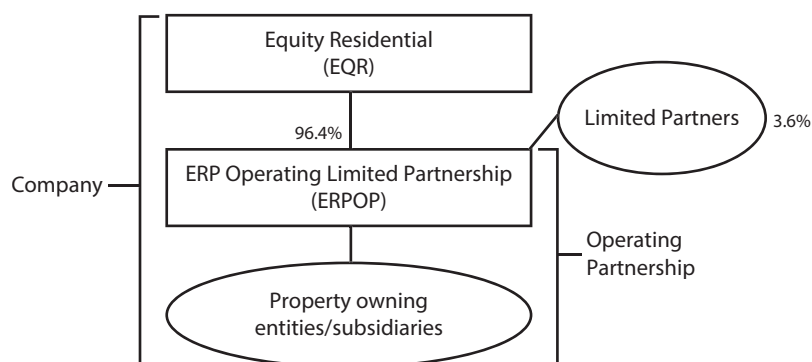
## **DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates by reference certain information that will be contained in Equity Residential's Proxy Statement relating to its 2020 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, 2019, 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.



## EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2019 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, 2019 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.

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. 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.

**EQUITY RESIDENTIAL  
ERP OPERATING LIMITED PARTNERSHIP  
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## PART I

### Item 1. Business

#### General

Equity Residential (“EQR”) is committed to creating communities where people thrive. The Company, a member of the S&P 500, is focused on the acquisition, development and management of rental apartment properties located in urban and high-density suburban communities where today’s renters want to live, work and play. ERP Operating Limited Partnership (“ERPOP”) is focused on conducting the multifamily property business of EQR. 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, 2019 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, 2019, 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](http://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

#### *Overview*

The Company is one of the largest U.S. publicly-traded owners of rental apartments with a portfolio of properties primarily located in Boston, New York, Washington, D.C., Seattle, San Francisco, Southern California (including Los Angeles, Orange County and San Diego) and Denver. Continued high wage job and income growth, positive demographics and a consumer preference for a rental lifestyle in our highly desirable markets has created a supportive backdrop for our business. Our markets continue to draw skilled knowledge workers that drive economic growth in the United States. This, in turn, attracts employers to our markets seeking to locate and expand their businesses and employ this talented pool of workers, resulting in strong demand for our product.

We believe we have created a best-in-class operating platform to run our properties. Our employees are focused on delivering remarkable customer service to our residents so they will stay with us longer, be willing to pay higher rent for a great experience and will tell their friends about how much they love living in an Equity Residential property. Increasingly, we are using technology to improve this resident experience and to operate our business more efficiently. Our disciplined balance sheet management enhances returns and value creation while maintaining capacity to take advantage of future opportunities. We are committed to sustainability, diversity and inclusion, the total well-being of our employees and being a responsible corporate citizen in the communities in which we operate. These “Equity Values” are deeply embedded in our culture. We believe that our stakeholders value stability, liquidity, predictability and accountability and that is the mission to which we remain unwaveringly committed.

## *Investment Strategy*

The Company invests in apartment communities located in strategically targeted markets (primarily urban and high-density suburban locations) with the goal of maximizing our risk-adjusted total returns by balancing current cash flow generation with long-term capital appreciation. We seek to meet this goal by investing in markets that are characterized by conditions favorable to multifamily property operations over the long-term. These markets generally feature one or more of the following characteristics that allow us to drive performance:

- High single family housing prices;
- 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;
- Highly walkable urban and high-density suburban areas in what we believe are some of the best locations in the public apartment REIT sector 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;
- 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; and
- Strong demand drivers.

We believe our strategy 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. Currently demand for rental housing is driven primarily by household formations from the Millennial segment of our population, also known as the Echo Boom Generation, that now comprises the largest segment of the U.S. population. These young adults, born between 1981 and 2000, currently total approximately 78 million people and are disproportionately renters. We also expect this demographic to remain renters longer due to societal trends favoring delays in marriage and having children. We believe we will continue to see demand from this group, as the largest sub-segment of this cohort is now turning 29 years old while the median age of our resident is 33 years old. Following the Millennials is Generation Z, which comprises the more than 70 million people born between 2001 and 2014. 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 we are extremely well positioned to benefit for many years to come as a result of the significant impact these generations will have on rental housing.

Over the past several years, the Company has done an extensive repositioning of its portfolio into urban and highly walkable, close-in suburban assets. While we continue to look for opportunities to expand our portfolio in these locations, we also have been exploring other markets that share these same characteristics, such as Denver. These markets feature strong high wage job growth, high single family home prices and a very attractive lifestyle for our target demographic, which we believe will lead to long-term outperformance for a rental market.

## *Operations and Innovation*

We balance 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 through our customized pricing system that uses market data on current and projected demand and availability to create both current and forward pricing daily for each apartment unit we manage. We believe our great success with renewal rate growth is due to our motivation to retain our residents with a relentless focus on customer service. Highly satisfied residents stay longer and say great things about us. We also use a standardized purchasing system to control our operating expenses and a business intelligence platform that allows all our team members to quickly identify and address issues and opportunities.

The technology driving the rental industry continues to evolve at a rapid pace, and we have long been a leader in deploying and investing in property technology to serve our customers better and operate more efficiently. As a first mover in such important areas as revenue management, online leasing, centralized procurement and internet listing services, we are focused on technology that improves our operating margin and customer experience. Currently, we are focused on areas such as self-guided tours enabled by technology; automated responses to customer inquiries; data analytics to drive expense savings and revenue improvements; and “smart home” technology. We believe these areas will provide the foundation for current and future improvements to how we do business.

### *Focus on Our Employees*

The Company has a strong, rich culture with a commitment to our “Equity Values” of Diversity & Inclusion, “Total Well-Being” (which brings together physical, financial, career, social and community well-being into a cohesive whole), Sustainability and Social Responsibility. We actively elevate and support these values when employees’ voices are heard and we embrace each other regardless of our differences; when we give back to our communities; when we care for and preserve our environment; and when we encourage and enable our employees and their families to thrive in all areas of well-being. Our employee-led Equity Values Council leads our efforts on these values by acting as change agents to drive initiatives and create awareness. We engage our stakeholders for feedback on key issues, and environmental, social and governance (“ESG”) factors help guide our investment and operating strategy. Additionally, executive compensation is based in part on meeting these important Equity Values goals, and our Board of Trustees takes an active role in overseeing these matters.

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. The Equity Values Council drives new, diversity-focused initiatives for recruitment, career development and education. We actively promote from within, and many senior corporate and property leaders have risen from entry level or junior positions. We survey our employees annually to identify strengths and opportunities in employee satisfaction. We continue to maintain high engagement scores in these surveys and find our 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 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, was in the Top 50 on the overall list and was the highest rated real estate company in this survey. Indeed also recognized the Company as a top-rated workplace in many of our markets.

### *Our Commitment to ESG*

Our purpose is creating communities where people thrive. This needs to be a sustainable endeavor, in which we provide properties that will stand the test of time and remain attractive to our customers and the community without negatively impacting the environment. 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. Multifamily housing is one of the most environmentally-friendly uses of real estate, as each property provides homes for hundreds of families in a denser shared environment. We invest in locations that are highly walkable and transit-friendly, enabling a low carbon footprint lifestyle for our residents to live, work and play.

Our sustainability goals help us focus efforts and track progress. We are especially focusing on energy consumption, water consumption and greenhouse gas emissions. We invest in developing and renovating our properties, with a focus on reducing waste, energy and water use by investing in energy-saving technology, such as those for irrigation, lighting, HVAC and renewable energy, while positively impacting the experience of our residents and the value of our assets.

For additional information regarding our ESG efforts, see our October 2019 Environmental, Social and Governance Report at our website, [www.equityapartments.com](http://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 continue to enhance our ESG disclosure efforts, including auditing the results outlined in the above report. In addition, the Company issued \$400.0 million of ten-year 4.15% unsecured notes in 2018 as “green” bonds, and as a result, the Company allocated an amount equal to the net proceeds to 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.

### **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 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 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."

### ***Risks Related to our Business Strategy***

*Investing in real estate is inherently subject to risks that could negatively impact our business.*

Investing in real estate is subject to varying degrees and types of risk. While we seek to mitigate these risks through various strategies, including geographic diversification, market research and proactive asset management, among other techniques, these risks cannot be eliminated. Factors that may impact cash flows and real estate values include, but are not limited to:

- Local economic conditions, particularly oversupply or reductions in demand;
- National, regional and local political climates and governmental policies;
- The inability or unwillingness of residents to pay rent increases;
- Increases in our operating expenses;
- Cost of labor and materials required to maintain our properties at acceptable standards;
- Availability of attractive financing opportunities;
- Changes in social preferences; and
- Additional risks that are discussed below.

*Competition in multifamily housing may negatively affect operations and demand for the Company's properties or residents.*

Our properties face competition for residents from other existing or new multifamily properties, condominiums, single family homes and other living arrangements, whether owned or rental, that may attract residents from our properties or prospective residents that would otherwise choose to live with us. As a result, we may not be able to renew existing resident leases or enter into new resident leases, or if we are able to renew or enter into new leases, they may be at rates or terms that are less favorable than our current rates or terms, resulting in a material impact on our results of operations.

*Failure to generate sufficient revenue could limit our ability to make financing payments or distributions to security holders.*

A decrease in cash flows due to declines in rental revenue could negatively affect our ability to make financing payments and distributions to our security holders. Significant expenditures associated with each property, such as real estate taxes, insurance, utilities, maintenance costs and employee wages and benefits, may also negatively impact cash flows and not decline as quickly or at the same rate as revenues when circumstances might cause a reduction at our properties.

*The short-term nature of apartment leases expose us more quickly to the effects of declining market rents, potentially making our revenue more volatile.*

Generally our residential apartment leases are for twelve months or less. If the terms of the renewal or reletting are less favorable than current terms, then the Company's results of operations and financial condition could be negatively affected. Given our generally shorter term lease structure, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

*The geographic concentration of our properties could have an adverse effect on our operations.*

The Company's properties are highly concentrated in our primarily coastal markets. If one or more of our markets is unfavorably impacted by specific economic conditions, local real estate conditions, increases in real estate and other taxes, rent control or stabilization laws or localized environmental issues or natural/man-made disasters, the impact of such conditions may have a more negative impact on our results of operations than if our properties were more geographically diverse.

Additionally within its primarily coastal markets, the Company is highly concentrated in certain dense urban and suburban submarkets. To the extent that these particular submarkets become less desirable to operate in, including changes in multifamily housing supply and demand, our results of operations could be more negatively impacted than if we were more diversified within our markets.

*Operations from new acquisitions, development projects and renovations may fail to perform as expected.*

We intend to actively acquire, develop and renovate multifamily operating properties as part of our business strategy. Newly acquired, developed or renovated properties may not perform as we expect. We may also overestimate the revenue (or underestimate the expenses) that a new or repositioned project may generate. The occupancy rates and rents at these properties may fail to meet the expectations underlying our investment. Development and renovations, in particular, are subject to greater uncertainties and risks due to complexities and lead time in estimating costs. We may underestimate the costs necessary to operate an acquired property to the standards established for its intended market position. We may also underestimate the costs to complete a development property or to complete a renovation.

*Competition for acquisitions may prevent us from acquiring properties on favorable terms.*

We may not be successful in pursuing acquisition and development opportunities. We expect that other real estate investors will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development and acquisition efforts. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms.

*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. This inability to reallocate our capital promptly could negatively affect our financial condition, including our ability to make distributions to our security holders.

*The Company's real estate assets may be subject to impairment charges.*

A decline in the fair value of our assets may require us to recognize an impairment against such assets under accounting principles generally accepted in the United States ("GAAP") if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets for a period of time sufficient to allow for recovery of the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write-down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we are required to recognize material asset impairment charges in the future, these charges could adversely affect our financial condition and results of operations.

*Construction risks on our development projects could affect our profitability.*

We intend to continue to develop multifamily properties as part of our business strategy. Development often includes long planning and entitlement timelines, subjecting the project to changes in market conditions. It can involve complex and costly activities, including significant environmental remediation or construction work in our markets. We may also experience an increase in costs due to general disruptions that affect the cost of labor and/or materials such as trade disputes, tariffs, labor unrest and/or geopolitical conflicts. We may abandon opportunities that we have already begun to explore for a number of reasons, and as a result, we may fail to recover expenses or option payments already incurred in exploring those opportunities. We may also be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and



authorizations. These and other risks inherent in development projects could result in increased costs or the delay or abandonment of opportunities.

*We are subject to risks involved in real estate activity through joint ventures.*

We currently and may continue to in the future develop and acquire properties in joint ventures with other persons or entities. Joint ventures create risks including the following:

- The possibility that our partners might refuse to make capital contributions when due and therefore we may be forced to make contributions to protect our investments;
- We may be responsible to our partners for indemnifiable losses;
- Our partners might at any time have business or economic goals that are inconsistent with ours; and
- Our partners may be in a position to take action or withhold consent contrary to our recommendations, instructions or requests.

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. We and our respective joint venture partners may each have the right to trigger a buy-sell arrangement that could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. In some instances, joint venture partners may also have competing interests or objectives that could create conflicts of interest similar to those noted above. These objectives may be contrary to our compliance with the REIT requirements, and our REIT status could be jeopardized if any of our joint ventures do not operate in compliance with those requirements. To the extent our partners do not meet their obligations to us or our joint ventures, or they take actions inconsistent with the interests of the joint venture, it could have a negative effect on our results of operations and financial condition, including distributions to our security holders.

### ***Risks Related to our Financing Strategy and Capital Structure***

*Disruptions in the financial markets could hinder our ability to obtain debt and equity financing and impact our acquisitions and dispositions.*

Dislocations and disruptions in capital markets could result in increased costs or lack of availability of debt financing (including under our \$1.0 billion commercial paper program) and equity financing. Such events may affect our ability to refinance existing debt, require us to utilize higher cost alternatives and/or impair our ability to adjust to changing economic and business conditions. Capital market disruptions could negatively impact our ability to make acquisitions or make it more difficult or not possible for us to sell properties or may unfavorably affect the price we receive for properties that we do sell. Such disruptions could cause the price of our securities to decline.

*Our financial counterparties may not perform their obligations.*

Although we have not experienced any material counterparty non-performance, disruptions in financial and credit markets or other events could impair the ability of our counterparties to perform under their contractual obligations to us. There are multiple financial institutions that are individually committed to provide borrowings under our revolving credit facility. Should any of these institutions fail to perform their obligations when contractually required, our financial condition could be adversely affected.

*Rising interest rates can increase costs.*

The Company is exposed to market risk from financial instruments primarily from changes in market interest rates. Such risks derive from the refinancing of debt, exposure to interest rate fluctuations in floating rate debt and from derivative instruments utilized to swap fixed rate debt to floating rates or to hedge rates in anticipation of future debt issuances. Increases in interest rates would increase our interest expense and the costs of refinancing existing debt.

*Insufficient cash flow could affect our ability to service existing debt and create refinancing risk.*

We are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments. We may not be able to refinance existing debt and if we can, the terms of such refinancing may be less favorable than the terms of existing indebtedness. Our inability to refinance, extend or repay debt with proceeds from other capital market transactions would negatively impact our financial condition. If the debt is secured, the mortgage holder may also foreclose on the property.

*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 Company's revolving credit facility, would cause the corresponding borrowing costs to increase, impact our ability to borrow secured and unsecured debt, and potentially 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.

*Financial covenants could limit operational flexibility and affect our overall financial position.*

The terms of our credit agreements, including our revolving credit facility and the indentures under which a substantial portion of our unsecured debt was issued, require us to comply with a number of financial covenants. These covenants may limit our flexibility to run our business and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness and trigger a cross default of other debt.

Some of our properties are financed with tax-exempt bonds or otherwise contain restrictive covenants or deed restrictions, including affordability requirements, which limit income from certain properties. The Company monitors compliance with the restrictive covenants and deed restrictions that affect these properties. While we generally believe that the interest rate benefit from financing 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.

*We may change the dividend policy for our securities in the future.*

The decision to declare and pay dividends on our securities, as well as the timing, amount and composition of any such future dividends, is at the discretion of the Board of Trustees and will depend 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 Board of Trustees may modify our dividend policy from time to time and any change in our dividend policy could negatively impact the market price of our securities.

*Changes in market conditions and volatility of share prices could decrease 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. Investors in our Common Shares consequently may experience a decrease in the value of their shares, including decreases due to this volatility and not necessarily related to our operating performance or prospects. Additionally, the market price of our Common Shares may decline or fluctuate significantly in response to the sale of substantial amounts of our Common Shares, or the anticipation of the sale of such shares, by large holders of our securities. The issuance of additional Common Shares by the Company, or the perception that such issuances might occur, could also cause significant volatility and decreases in the value of our shares.

*Issuances or sales of our Common Shares or Units may be dilutive.*

Any potential additional issuance of Common Shares or OP Units would reduce the percentage of our Common Shares and OP Units owned by investors. In most circumstances, shareholders and unitholders will not be entitled to vote on whether or not we issue additional Common Shares or Units. In addition, depending on the terms and pricing of additional offerings of our Common Shares or Units along with the value of our properties, our shareholders and unitholders could experience dilution in both book value and fair value of their Common Shares or Units, as well as dilution in our actual and expected earnings per share, funds from operations ("FFO") per share and Normalized FFO per share.

## **General Risks**

*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.

*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, security and other business services to us. The systems of 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 our information technology networks and those of our third party providers 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. The Company also has a cyber liability insurance policy to provide some coverage for certain risks arising out of data and network breaches and data privacy regulations which provides a policy aggregate limit and a per occurrence deductible. Cyber liability insurance generally covers, among other things, costs associated with the wrongful release, through inadvertent breach or network attack, of personally identifiable information. 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, result in a violation of applicable privacy and other laws, 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 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 negatively impacted.

*Litigation risk could affect our business.*

We may become involved in legal proceedings, claims, actions, inquiries and investigations in the ordinary course of business. These legal proceedings may include, but are not limited to, proceedings related to consumer, shareholder, securities, employment, environmental, development, condominium conversion, tort, eviction and commercial legal issues. Litigation can be lengthy and expensive, and it can divert management's attention and resources. Results cannot be predicted with certainty, and an unfavorable outcome in litigation could result in liability material to our financial condition or results of operations.

*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, general liability and workers compensation insurance policies provide coverage with substantial per occurrence deductibles and/or self-insured retentions. These self-insurance retentions can be a material portion of insurance losses in excess of the base deductibles. While the Company has previously purchased incremental insurance coverage in the event of 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 multiple occurrences coverage may not be available at all or on commercially reasonable terms in the future. We believe the policy specifications and insured limits of these policies are adequate and appropriate; however, there are certain types of extraordinary losses which may not be adequately covered under our insurance program. As a result, our financial results could be adversely affected and may vary significantly from period to period.

The Company relies on third party insurance providers for its property, general liability, workers compensation and other insurance, and should any of them experience liquidity issues or other financial distress, it could negatively impact their ability to pay claims under the Company's policies.

**Earthquake risk:** Our policies insuring against earthquake losses have substantial deductibles which are applied to the values of the buildings involved in the loss. With the geographic concentration of our properties, a single earthquake affecting a market may have a significant negative effect on our financial condition and results of operations. We cannot assure that an earthquake would not cause damage or losses greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property or market, as well as anticipated future revenue.

**Terrorism risk:** 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.

**Catastrophic weather risk:** Our properties may be located in areas that could experience catastrophic weather and other natural disasters from time to time, including wildfires, snow or ice storms, windstorms or hurricanes, flooding or other severe weather. This severe weather and natural disasters could cause substantial damages or losses to our properties which may not be covered or could exceed our insurance coverage. Exposure to this risk could also result in a decrease in demand for properties located in these areas or affected by these conditions.

**Climate change risk:** To the extent that significant changes in the climate occur in areas where our properties are located, we may experience severe weather, which may result in physical damage to or decrease the demand for properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, significant property damage or destruction of our properties could result. In addition, climate change 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. Our financial condition or results of operations may be adversely affected. In addition, changes in federal, state and local legislation and regulation based on concerns about climate change could result in increased capital expenditures on our existing properties and our new development properties.

*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 in this Item 1A. While our existing preferred shares/preference units do not have all of 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. 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 the security holders.

### **Regulatory and Tax Risks**

*The adoption of, or 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 which could limit our ability to raise rents or charge certain fees, either of which could have a retroactive effect. We continue to see increases in governments considering or being urged by advocacy groups to consider rent control or rent stabilization

laws and regulations. These regulations 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. In June 2019, the State of New York enacted rent control regulations known as the Housing Stability and Tenant Protection Act of 2019. In October 2019, the State of California enacted rent control regulations known as the Tenant Protection Act of 2019.

*Compliance or failure to comply with regulatory requirements could result in substantial costs.*

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements and federal, state and local accessibility requirements, including and in addition to those imposed by the Americans with Disabilities Act and the Fair Housing Act. Noncompliance could result in fines, subject us to lawsuits and require us to remediate or repair the noncompliance. Existing requirements could change and compliance with future requirements may require significant unanticipated expenditures that could adversely affect our financial condition or results of operations.

*Environmental problems are possible and can be costly.*

Federal, state and local laws and regulations relating to the protection of the environment may require current or previous owners or operators of real estate to investigate and clean up hazardous or toxic substances at such properties. 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. Third parties may also sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. 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.

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

The Company follows GAAP, which is established by the Financial Accounting Standards Board ("FASB"), an independent body whose standards are recognized by the Securities and Exchange Commission ("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.

*Any weaknesses identified in our internal control over financial reporting could result in a decrease of 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 a negative impact on our share price.

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

We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, for which there is limited judicial and administrative interpretation, however, are highly technical and complex. Therefore, we cannot 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. To qualify as a REIT, our assets must be substantially comprised of real estate assets as defined in the Internal Revenue Code of 1986, as amended (the "Code"), and related guidance and 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.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates (including, for years prior to 2018, any alternative minimum tax) and would have to pay significant income taxes unless the Internal Revenue Service ("IRS") granted us relief under certain statutory provisions. In addition, we would remain disqualified from taxation as a REIT for four years following the year in which we failed to qualify as a REIT. We would therefore have less money available for investments or for distributions to security holders and would no longer be required to make distributions to security holders. This would likely have a significant negative impact on the value of our securities.

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. If a subsidiary REIT did not satisfy such requirements, and certain relief provisions did not apply, it would be taxed as a regular corporation and its income would be subject to U.S. federal income taxation. Failure to comply with these complex REIT rules at the subsidiary REIT level can have a material and detrimental impact to EQR's REIT status.



*Gain on disposition of assets held for sale in the ordinary course of business is subject to 100% tax.*

Any gain resulting from transfers of properties we hold as inventory or primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction subject to a 100% penalty tax. We do not believe that our transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a question that depends on all the facts and circumstances surrounding the particular transaction. The IRS may contend that certain transfers or dispositions of properties by us or contributions of properties are prohibited transactions. While we believe the IRS would not prevail in any such dispute, if the IRS were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT.

*We may be subject to legislative or regulatory tax changes that could negatively impact our financial condition.*

At any time, U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be enacted or amended. We cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, IRS and U.S. Department of Treasury regulations or administrative guidance, will be adopted or become effective and any such law, regulation or interpretation may take effect retroactively. The Company and our shareholders could be negatively impacted by any such change in, or any new, U.S. federal income tax law, regulations or administrative guidance.

*Distribution requirements may limit our flexibility to manage our portfolio.*

In order to maintain qualification as a REIT under the Code, a REIT must annually distribute to its shareholders at least 90% of its REIT taxable income, excluding the dividends paid deduction and net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on amounts, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our net capital gains and 100% of our undistributed income from prior years. 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. Difficulties in meeting the 90% distribution requirement might arise due to competing demands for our funds or due to timing differences between tax reporting and cash distributions, because deductions may be disallowed, income may be reported before cash is received, expenses may have to be paid before a deduction is allowed or because the IRS may make a determination that adjusts reported 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 other than through tax deferred transactions or cause the Company to borrow funds or liquidate investments on unfavorable 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.

*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 five percent of the lesser of the number or value of any outstanding class of common or preferred shares (the "Ownership Limit"). Absent an 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 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.

*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 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.

In order to retain liquidity and continue to satisfy the REIT distribution requirements, the Company could issue shares rather than pay a dividend entirely in cash to shareholders. The IRS has published several rulings which have allowed REITs to offer shareholders the choice between shares or cash as a form of payment 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.

*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 Sam 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.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of December 31, 2019, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 309 properties located in 10 states and the District of Columbia consisting of 79,962 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:

| Type          | Properties | Apartment Units | Average<br>Apartment Units |
|---------------|------------|-----------------|----------------------------|
| Garden        | 105        | 26,688          | 254                        |
| Mid/High-Rise | 204        | 53,274          | 261                        |
|               | 309        | 79,962          | 259                        |

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

|   | Properties | Apartment Units |
|---|------------|-----------------|
| Wholly Owned Properties                   | 291        | 76,265          |
| Master-Leased Property – Consolidated     | 1          | 162             |
| Partially Owned Properties – Consolidated | 17         | 3,535           |
|   | 309        | 79,962          |

The following table sets forth certain information by market relating to the Company's properties at December 31, 2019:

### Portfolio Summary

| Markets/Metro Areas            | Properties | Apartment Units | % of Stabilized Budgeted NOI (A) | Average Rental Rate (B) |
|--------------------------------|------------|-----------------|----------------------------------|-------------------------|
| Los Angeles                    | 72         | 16,603          | 18.7%                            | \$ 2,634                |
| Orange County                  | 13         | 4,028           | 4.3%                             | 2,271                   |
| San Diego                      | 12         | 3,385           | 3.8%                             | 2,437                   |
| Subtotal – Southern California | 97         | 24,016          | 26.8%                            | 2,545                   |
| San Francisco                  | 51         | 13,606          | 20.6%                            | 3,320                   |
| Washington D.C.                | 48         | 15,248          | 16.2%                            | 2,466                   |
| New York                       | 37         | 9,606           | 14.4%                            | 3,937                   |
| Seattle                        | 45         | 9,296           | 10.7%                            | 2,459                   |
| Boston                         | 25         | 6,430           | 9.9%                             | 3,179                   |
| Denver                         | 5          | 1,624           | 1.4%                             | 2,053                   |
| Other Markets                  | 1          | 136             | —%                               | 1,323                   |
| <b>Total</b>                   | <b>309</b> | <b>79,962</b>   | <b>100.0%</b>                    | <b>\$ 2,858</b>         |

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

- (A) % of Stabilized Budgeted NOI - Represents budgeted 2020 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, 2019, 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 95.8%. 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.



The consolidated properties currently in various stages of development and lease-up at December 31, 2019 are included in the following table:

**Development and Lease-Up Projects as of December 31, 2019**  
(Amounts in thousands except for project and apartment unit amounts)

| Projects  | Location        | No. of<br>Apartment<br>Units | Total<br>Budgeted<br>Capital<br>Cost (1) | Total<br>Book<br>Value<br>to Date | Total Book<br>Value Not<br>Placed in<br>Service | Total<br>Debt | Percentage<br>Completed | Estimated/Actual     |                    |                       | Percentage<br>Leased | Percentage<br>Occupied |
|---|-----------------|------------------------------|--|-----------------------------------|---|---------------|-------------------------|----------------------|--------------------|-----------------------|----------------------|------------------------|
|   |                 |                              |  |                                   |   |               |                         | Initial<br>Occupancy | Completion<br>Date | Stabilization<br>Date |                      |                        |
| Projects Under Development - Wholly Owned:                  |                 |                              |  |                                   |   |               |                         |                      |                    |                       |                      |                        |
| Alcott Apartments (fka West End Tower)                      | Boston, MA      | 470                          | \$ 409,749                               | \$ 139,310                        | \$ 139,310                                      | \$ —          | 32%                     | Q2 2021              | Q3 2021            | Q1 2023               | —                    | —                      |
| 4885 Edgemoor Lane (2)                                      | Bethesda, MD    | 154                          | 75,271                                   | 10,865                            | 10,865  | —             | 4%                      | Q3 2021              | Q3 2021            | Q3 2022               | —                    | —                      |
| Projects Under Development Wholly<br>Owned                  |                 | 624                          | 485,020                                  | 150,175                           | 150,175   | —             |                         |                      |                    |                       |                      |                        |
| Projects Under Development - Partially Owned:               |                 |                              |  |                                   |   |               |                         |                      |                    |                       |                      |                        |
| Aero Apartments (3)   | Alameda, CA     | 200                          | 117,794                                  | 31,455                            | 31,455  | 7,050         | 11%                     | Q4 2020              | Q2 2021            | Q2 2022               | —                    | —                      |
| Projects Under Development Partially<br>Owned               |                 | 200                          | 117,794                                  | 31,455                            | 31,455  | 7,050         |                         |                      |                    |                       |                      |                        |
| Projects Under Development<br>Completed Not Stabilized (4): |                 | 824                          | 602,814                                  | 181,630                           | 181,630   | 7,050         |                         |                      |                    |                       |                      |                        |
| Lofts at Kendall Square II (fka 249 Third Street)           | Cambridge, MA   | 84                           | 51,447                                   | 47,259                            | —   | —             |                         | Q3 2019              | Q3 2019            | Q2 2020               | 81%                  | 79%                    |
| Chloe on Madison (fka 1401 E. Madison)                      | Seattle, WA     | 137                          | 65,341                                   | 62,995                            | —   | —             |                         | Q3 2019              | Q3 2019            | Q2 2020               | 81%                  | 75%                    |
| Projects Completed Not Stabilized                           |                 | 221                          | 116,788                                  | 110,254                           | —   | —             |                         |                      |                    |                       |                      |                        |
| Completed and Stabilized During the Quarter:                |                 |                              |  |                                   |   |               |                         |                      |                    |                       |                      |                        |
| 100K Apartments   | Washington D.C. | 222                          | 85,273                                   | 85,262                            | —   | —             |                         | Q3 2018              | Q4 2018            | Q4 2019               | 96%                  | 96%                    |
| Projects Completed and Stabilized During<br>the Quarter     |                 | 222                          | 85,273                                   | 85,262                            | —   | —             |                         |                      |                    |                       |                      |                        |
| Total Development Projects                                  |                 | 1,267                        | \$ 804,875                               | \$ 377,146                        | \$ 181,630                                      | \$ 7,050      |                         |                      |                    |                       |                      |                        |
| Land Held for Development                                   |                 | N/A                          | N/A                                      | \$ 96,688                         | \$ 96,688                                       | \$ —          |                         |                      |                    |                       |                      |                        |

- (1) Total Budgeted Capital Cost – Estimated remaining cost for projects under development and/or developed plus 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) 4885 Edgemoor Lane – The land under this project is subject to a long-term ground lease. This project is adjacent to an existing apartment property owned by the Company.
- (3) Aero Apartments – This development project is owned 90% by the Company and 10% by a third party partner in a joint venture consolidated by the Company. Construction is being partially funded with a construction loan that is non-recourse to the Company. The joint venture partner has funded \$4.6 million for its allocated share of the project equity and serves as the developer of the project.
- (4) 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. Both of these properties are wholly owned by the Company.

### Item 3. Legal Proceedings

As of December 31, 2019, 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.

## 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 14, 2020, the number of record holders of Common Shares was approximately 2,030 and 371,978,449 Common Shares were outstanding. At February 14, 2020, the number of record holders of Units in the Operating Partnership was approximately 485 and 385,928,364 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 |         |
|-----------------------------------|-------------------------|---------|
|                                   | 2019                    | 2018    |
| Fourth Quarter Ended December 31, | \$ 0.5675               | \$ 0.54 |
| Third Quarter Ended September 30, | \$ 0.5675               | \$ 0.54 |
| Second Quarter Ended June 30,     | \$ 0.5675               | \$ 0.54 |
| First Quarter Ended March 31,     | \$ 0.5675               | \$ 0.54 |

#### *Unregistered Common Shares Issued in the Quarter Ended December 31, 2019 (Equity Residential)*

During the quarter ended December 31, 2019, EQR issued 19,540 Common Shares in exchange for 19,540 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(a)(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, 2019 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 outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) |
|--|---|---|---|
|  | (a) (1)   | (b) (1)   | (c) (2)   |
| Equity compensation plans approved by shareholders     | 5,567,544   | \$ 55.52  | 14,042,598  |
| 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 306,706 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 2019 Share Incentive Plan, as amended (the "2019 Plan"), and outstanding Common Shares that have been purchased by employees and trustees under the Company's ESPP.
- (2) Includes 11,328,266 Common Shares that may be issued under the 2019 Plan and 2,714,332 Common Shares that may be sold to employees and trustees under the ESPP.

On June 27, 2019, the shareholders of EQR approved the Company's 2019 Plan and the Company has filed a Form S-8 registration statement to register 11,331,958 Common Shares under this plan. As of December 31, 2019, 11,328,266 shares were available for future issuance. In conjunction with the approval of the 2019 Plan, no further awards may be granted under the 2011 Plan. The 2019 Plan expires on June 27, 2029.

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. As a result of the adoption of new lease accounting guidance on January 1, 2019, prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting policies (see Note 2 in the Notes to Consolidated Financial Statements for further discussion).

### EQUITY RESIDENTIAL CONSOLIDATED HISTORICAL FINANCIAL INFORMATION (Financial information in thousands except for per share and property data)

|  | Year Ended December 31, |               |               |                |               |
|--|-------------------------|---------------|---------------|----------------|---------------|
|  | 2019                    | 2018          | 2017          | 2016           | 2015          |
| <b>OPERATING DATA:</b>                                       |                         |               |               |                |               |
| Total revenues from continuing operations                    | \$ 2,701,075            | \$ 2,578,434  | \$ 2,471,406  | \$ 2,425,800   | \$ 2,744,965  |
| Net gain (loss) on sales of real estate properties           | \$ 447,637              | \$ 256,810    | \$ 157,057    | \$ 4,044,055   | \$ 335,134    |
| Interest and other income                                    | \$ 2,817                | \$ 15,317     | \$ 6,136      | \$ 65,773      | \$ 7,372      |
| Income from continuing operations                            | \$ 1,009,708            | \$ 685,192    | \$ 628,381    | \$ 4,479,586   | \$ 907,621    |
| Discontinued operations, net                                 | \$ —                    | \$ —          | \$ —          | \$ 518         | \$ 397        |
| Net income   | \$ 1,009,708            | \$ 685,192    | \$ 628,381    | \$ 4,480,104   | \$ 908,018    |
| Net income available to Common Shares                        | \$ 967,287              | \$ 654,445    | \$ 600,363    | \$ 4,289,072   | \$ 863,277    |
| Earnings per share – basic:                                  |                         |               |               |                |               |
| Income from continuing operations available to Common Shares | \$ 2.61                 | \$ 1.78       | \$ 1.64       | \$ 11.75       | \$ 2.37       |
| Net income available to Common Shares                        | \$ 2.61                 | \$ 1.78       | \$ 1.64       | \$ 11.75       | \$ 2.37       |
| Weighted average Common Shares outstanding                   | 370,461                 | 368,052       | 366,968       | 365,002        | 363,498       |
| Earnings per share – diluted:                                |                         |               |               |                |               |
| Income from continuing operations available to Common Shares | \$ 2.60                 | \$ 1.77       | \$ 1.63       | \$ 11.68       | \$ 2.36       |
| Net income available to Common Shares                        | \$ 2.60                 | \$ 1.77       | \$ 1.63       | \$ 11.68       | \$ 2.36       |
| Weighted average Common Shares outstanding                   | 386,333                 | 383,695       | 382,678       | 381,992        | 380,620       |
| Distributions declared per Common Share outstanding          | \$ 2.27                 | \$ 2.16       | \$ 2.015      | \$ 13.015      | \$ 2.21       |
| <b>BALANCE SHEET DATA (at end of period):</b>                |                         |               |               |                |               |
| Real estate, before accumulated depreciation                 | \$ 27,533,607           | \$ 26,511,022 | \$ 26,026,896 | \$ 25,386,425  | \$ 25,182,352 |
| Real estate, after accumulated depreciation                  | \$ 20,256,821           | \$ 19,814,741 | \$ 19,986,518 | \$ 20,026,036  | \$ 20,276,946 |
| Real estate held for sale                                    | \$ —                    | \$ —          | \$ —          | \$ —           | \$ 2,181,135  |
| Total assets   | \$ 21,172,769           | \$ 20,394,209 | \$ 20,570,599 | \$ 20,704,148  | \$ 23,110,196 |
| Total debt   | \$ 9,036,956            | \$ 8,817,939  | \$ 8,957,291  | \$ 8,987,258   | \$ 10,921,366 |
| Redeemable Noncontrolling Interests –                        |                         |               |               |                |               |
| Operating Partnership  | \$ 463,400              | \$ 379,106    | \$ 366,955    | \$ 442,092     | \$ 566,783    |
| Total shareholders' equity                                   | \$ 10,315,506           | \$ 10,173,204 | \$ 10,242,464 | \$ 10,229,078  | \$ 10,470,368 |
| Total Noncontrolling Interests                               | \$ 229,020              | \$ 226,445    | \$ 231,399    | \$ 231,906     | \$ 225,987    |
| <b>OTHER DATA:</b>   |                         |               |               |                |               |
| Total properties (at end of period)                          | 309                     | 307           | 305           | 302            | 394           |
| Total apartment units (at end of period)                     | 79,962                  | 79,482        | 78,611        | 77,458         | 109,652       |
| Funds from operations available to Common                    |                         |               |               |                |               |
| Shares and Units – basic (1)                                 | \$ 1,311,058            | \$ 1,204,867  | \$ 1,204,904  | \$ 1,123,530   | \$ 1,323,786  |
| Normalized funds from operations available to                |                         |               |               |                |               |
| Common Shares and Units – basic (1)                          | \$ 1,348,068            | \$ 1,248,710  | \$ 1,199,237  | \$ 1,179,650   | \$ 1,317,802  |
| Cash flow provided by (used for):                            |                         |               |               |                |               |
| Operating activities   | \$ 1,456,984            | \$ 1,356,295  | \$ 1,265,788  | \$ 1,214,123   | \$ 1,356,628  |
| Investing activities   | \$ (771,824)            | \$ (376,834)  | \$ (594,296)  | \$ 5,903,942   | \$ (695,814)  |
| Financing activities   | \$ (684,474)            | \$ (963,910)  | \$ (789,818)  | \$ (7,054,092) | \$ (666,167)  |

**ERP OPERATING LIMITED PARTNERSHIP**  
**CONSOLIDATED HISTORICAL FINANCIAL INFORMATION**  
(Financial information in thousands except for per Unit and property data)

|   | Year Ended December 31, |               |               |                |               |
|---|-------------------------|---------------|---------------|----------------|---------------|
|   | 2019                    | 2018          | 2017          | 2016           | 2015          |
| <b>OPERATING DATA:</b>  |                         |               |               |                |               |
| Total revenues from continuing operations                       | \$ 2,701,075            | \$ 2,578,434  | \$ 2,471,406  | \$ 2,425,800   | \$ 2,744,965  |
| Net gain (loss) on sales of real estate properties              | \$ 447,637              | \$ 256,810    | \$ 157,057    | \$ 4,044,055   | \$ 335,134    |
| Interest and other income                                       | \$ 2,817                | \$ 15,317     | \$ 6,136      | \$ 65,773      | \$ 7,372      |
| Income from continuing operations                               | \$ 1,009,708            | \$ 685,192    | \$ 628,381    | \$ 4,479,586   | \$ 907,621    |
| Discontinued operations, net                                    | \$ —                    | \$ —          | \$ —          | \$ 518         | \$ 397        |
| Net income  | \$ 1,009,708            | \$ 685,192    | \$ 628,381    | \$ 4,480,104   | \$ 908,018    |
| Net income available to Units                                   | \$ 1,003,321            | \$ 679,384    | \$ 622,967    | \$ 4,460,583   | \$ 897,518    |
| Earnings per Unit – basic:                                      |                         |               |               |                |               |
| Income from continuing operations available to Units            | \$ 2.61                 | \$ 1.78       | \$ 1.64       | \$ 11.75       | \$ 2.37       |
| Net income available to Units                                   | \$ 2.61                 | \$ 1.78       | \$ 1.64       | \$ 11.75       | \$ 2.37       |
| Weighted average Units outstanding                              | 383,368                 | 380,921       | 379,869       | 378,829        | 377,074       |
| Earnings per Unit – diluted:                                    |                         |               |               |                |               |
| Income from continuing operations available to Units            | \$ 2.60                 | \$ 1.77       | \$ 1.63       | \$ 11.68       | \$ 2.36       |
| Net income available to Units                                   | \$ 2.60                 | \$ 1.77       | \$ 1.63       | \$ 11.68       | \$ 2.36       |
| Weighted average Units outstanding                              | 386,333                 | 383,695       | 382,678       | 381,992        | 380,620       |
| Distributions declared per Unit outstanding                     | \$ 2.27                 | \$ 2.16       | \$ 2.015      | \$ 13.015      | \$ 2.21       |
| <b>BALANCE SHEET DATA (at end of period):</b>                   |                         |               |               |                |               |
| Real estate, before accumulated depreciation                    | \$ 27,533,607           | \$ 26,511,022 | \$ 26,026,896 | \$ 25,386,425  | \$ 25,182,352 |
| Real estate, after accumulated depreciation                     | \$ 20,256,821           | \$ 19,814,741 | \$ 19,986,518 | \$ 20,026,036  | \$ 20,276,946 |
| Real estate held for sale                                       | \$ —                    | \$ —          | \$ —          | \$ —           | \$ 2,181,135  |
| Total assets  | \$ 21,172,769           | \$ 20,394,209 | \$ 20,570,599 | \$ 20,704,148  | \$ 23,110,196 |
| Total debt  | \$ 9,036,956            | \$ 8,817,939  | \$ 8,957,291  | \$ 8,987,258   | \$ 10,921,366 |
| Redeemable Limited Partners                                     | \$ 463,400              | \$ 379,106    | \$ 366,955    | \$ 442,092     | \$ 566,783    |
| Total partners' capital   | \$ 10,543,343           | \$ 10,401,942 | \$ 10,469,155 | \$ 10,450,375  | \$ 10,691,747 |
| Noncontrolling Interests – Partially Owned Properties           | \$ 1,183                | \$ (2,293)    | \$ 4,708      | \$ 10,609      | \$ 4,608      |
| <b>OTHER DATA:</b>  |                         |               |               |                |               |
| Total properties (at end of period)                             | 309                     | 307           | 305           | 302            | 394           |
| Total apartment units (at end of period)                        | 79,962                  | 79,482        | 78,611        | 77,458         | 109,652       |
| Funds from operations available to Units – basic (1)            | \$ 1,311,058            | \$ 1,204,867  | \$ 1,204,904  | \$ 1,123,530   | \$ 1,323,786  |
| Normalized funds from operations available to Units – basic (1) | \$ 1,348,068            | \$ 1,248,710  | \$ 1,199,237  | \$ 1,179,650   | \$ 1,317,802  |
| Cash flow provided by (used for):                               |                         |               |               |                |               |
| Operating activities  | \$ 1,456,984            | \$ 1,356,295  | \$ 1,265,788  | \$ 1,214,123   | \$ 1,356,628  |
| Investing activities  | \$ (771,824)            | \$ (376,834)  | \$ (594,296)  | \$ 5,903,942   | \$ (695,814)  |
| Financing activities  | \$ (684,474)            | \$ (963,910)  | \$ (789,818)  | \$ (7,054,092) | \$ (666,167)  |

- (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.

## **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 any unconsolidated properties/entities. Capitalized terms used herein and not defined are as defined elsewhere in this Annual Report on Form 10-K.

### **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 are 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. The 2020 guidance assumptions disclosed throughout this Item 7 are based on current expectations and are forward-looking.

### **Overview**

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

### **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

### 2019 and 2018 Transactions

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 communities and sell apartment properties that we believe will have inferior long-term returns. The following tables provide a rollforward of the transactions that occurred during the years ended December 31, 2019 and 2018:

#### Portfolio Rollforward (\$ in thousands)

|  |            | Properties | Apartment<br>Units | Purchase<br>Price | Acquisition<br>Cap Rate |
|--|------------|------------|--------------------|-------------------|-------------------------|
|  | 12/31/2018 | 307        | 79,482             |                   |                         |
| Acquisitions:                          |            |            |                    |                   |                         |
| Consolidated:                          |            |            |                    |                   |                         |
| Rental Properties                      |            | 9          | 2,412              | \$ 1,039,830      | 4.6%                    |
| Rental Properties – Not Stabilized (1) |            | 4          | 1,128              | \$ 454,859        | 4.9%                    |
| Land Parcels                           |            | —          | —                  | \$ 19,832         |                         |
|  |            |            |                    | Sales Price       | Disposition<br>Yield    |
| Dispositions:                          |            |            |                    |                   |                         |
| Consolidated:                          |            |            |                    |                   |                         |
| Rental Properties                      |            | (11)       | (2,361)            | \$ (1,080,675)    | (4.6)%                  |
| Land Parcels                           |            | —          | —                  | \$ (2,100)        |                         |
| Unconsolidated:                        |            |            |                    |                   |                         |
| Rental Properties (2)                  |            | (2)        | (945)              | \$ (394,500)      | (4.7)%                  |
| Completed Developments – Consolidated  |            | 2          | 221                |                   |                         |
| Configuration Changes                  |            | —          | 25                 |                   |                         |
|  | 12/31/2019 | <u>309</u> | <u>79,962</u>      |                   |                         |

- (1) The Company acquired four properties during the year ended December 31, 2019, consisting of two properties in the Denver market and two properties in the Seattle market, all of which are in the final stages of completing lease-up and are expected to stabilize in the second year of ownership at the Acquisition Cap Rate listed above.
- (2) The Company owned a 20% interest in unconsolidated rental properties located in San Jose, CA and South Florida. Sales price listed is the gross sales price. The Company received net sales proceeds of approximately \$78.3 million and recognized a GAAP gain on sale of approximately \$69.5 million.

The consolidated properties acquired were located in the New York, Seattle, Washington D.C., San Francisco, Los Angeles and Denver markets. The consolidated properties disposed of were located in the New York, Washington D.C., San Francisco and Boston markets and the sales generated an Unlevered IRR of 7.8%. The consolidated properties development completions were located in the Boston and Seattle markets. Finally, the Company started construction on two consolidated projects, located in the San Francisco and Washington D.C. markets, consisting of 354 apartment units totaling approximately \$193.1 million of expected development costs.

**Portfolio Rollforward**  
(\$ in thousands)

|                                       |            | Properties | Apartment<br>Units | Purchase<br>Price | Acquisition<br>Cap Rate |
|---------------------------------------|------------|------------|--------------------|-------------------|-------------------------|
|                                       | 12/31/2017 | 305        | 78,611             |                   |                         |
| Acquisitions:                         |            |            |                    |                   |                         |
| Consolidated:                         |            |            |                    |                   |                         |
| Rental Properties                     |            | 5          | 1,478              | \$ 707,005        | 4.4%                    |
|                                       |            |            |                    | Sales Price       | Disposition<br>Yield    |
| Dispositions:                         |            |            |                    |                   |                         |
| Consolidated:                         |            |            |                    |                   |                         |
| Rental Properties                     |            | (5)        | (1,292)            | \$ (706,120)      | (4.1)%                  |
| Land Parcels                          |            | —          | —                  | \$ (2,700)        |                         |
| Completed Developments – Consolidated |            | 2          | 671                |                   |                         |
| Configuration Changes                 |            | —          | 14                 |                   |                         |
|                                       | 12/31/2018 | <u>307</u> | <u>79,482</u>      |                   |                         |

The consolidated properties acquired were located in the Seattle, New York, Denver and Boston markets. The consolidated properties disposed of were located in the Seattle, Los Angeles and New York markets and the sales generated an Unlevered IRR of 8.7%. The consolidated properties development completions were located in the San Francisco and Washington D.C. markets. Finally, the Company started construction on one consolidated project, located in the Boston market, consisting of 469 apartment units totaling approximately \$409.7 million of expected development costs.

See the Definitions section below for the definition of Acquisition Cap Rate, Development Yield, Disposition Yield and Unlevered IRR. See also Note 4 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's real estate transactions.

The Company's guidance assumes consolidated rental acquisitions of \$1.25 billion and consolidated rental dispositions of \$1.0 billion, and the Company expects that the Acquisition Cap Rate will be 0.25% lower than the Disposition Yield for the full year ending December 31, 2020. We currently budget spending approximately \$365.0 million on development costs during the year ending December 31, 2020 (inclusive of approximately \$50.0 million of construction mortgage and joint venture partner obligations), primarily for properties currently under construction.

***Same Store Results***

Properties that the Company owned and were stabilized (see definition below) for all of both 2019 and 2018 (the "2019 Same Store Properties"), which represented 71,830 apartment units, impacted the Company's results of operations. The 2019 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.

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, 2019:

|  | <b>Year Ended December 31, 2019</b> |                        |
|--|-------------------------------------|------------------------|
|  | <b>Properties</b>                   | <b>Apartment Units</b> |
| Same Store Properties at December 31, 2018 | 281                                 | 71,721                 |
| 2017 acquisitions                          | 2                                   | 437                    |
| 2019 dispositions                          | (11)                                | (2,361)                |
| Properties added back to same store (1)    | 2                                   | 356                    |
| Lease-up properties stabilized             | 5                                   | 1,652                  |
| Other                                      | —                                   | 25                     |
| Same Store Properties at December 31, 2019 | <u>279</u>                          | <u>71,830</u>          |

|  | <b>Year Ended December 31, 2019</b> |                        |
|--|-------------------------------------|------------------------|
|  | <b>Properties</b>                   | <b>Apartment Units</b> |
| Same Store                                 | 279                                 | 71,830                 |
| Non-Same Store:                            |                                     |                        |
| 2019 acquisitions                          | 13                                  | 3,540                  |
| 2018 acquisitions                          | 5                                   | 1,461                  |
| 2017 acquisitions – not stabilized         | 2                                   | 510                    |
| Master-Leased properties (2)               | 1                                   | 162                    |
| Lease-up properties not yet stabilized (3) | 8                                   | 2,458                  |
| Other                                      | 1                                   | 1                      |
| Total Non-Same Store                       | <u>30</u>                           | <u>8,132</u>           |
| Total Properties and Apartment Units       | <u>309</u>                          | <u>79,962</u>          |

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.

- (1) Consists of two properties which were added back to 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. Playa Pacifica was added back to same store for the year ended December 31, 2019 as the property achieved 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. Acton Courtyard was added back to same store for the year ended December 31, 2019 as the property achieved 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.
- (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 two former master-leased properties that were not stabilized for the comparable periods presented.



The following table provides comparative same store results and statistics for the 2019 Same Store Properties:

2019 vs. 2018  
Same Store Results/Statistics for 71,830 Same Store Apartment Units  
\$ in thousands (except for Average Rental Rate)

| Description | Results      |            |              | Statistics              |                        |              |
|-------------|--------------|------------|--------------|-------------------------|------------------------|--------------|
|             | Revenues     | Expenses   | NOI          | Average Rental Rate (1) | Physical Occupancy (2) | Turnover (3) |
| 2019        | \$ 2,453,259 | \$ 734,553 | \$ 1,718,706 | \$ 2,843                | 96.4%                  | 49.5%        |
| 2018        | \$ 2,377,066 | \$ 708,616 | \$ 1,668,450 | \$ 2,762                | 96.2%                  | 51.4%        |
| Change      | \$ 76,193    | \$ 25,937  | \$ 50,256    | \$ 81                   | 0.2%                   | (1.9%)       |
| Change      | 3.2%         | 3.7%       | 3.0%         | 2.9%                    |                        |              |

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 2019 Same Store Properties (amounts in thousands):

|  | Year Ended December 31, |              |
|--|-------------------------|--------------|
|  | 2019                    | 2018         |
| Operating income                                   | \$ 1,356,544            | \$ 1,115,370 |
| Adjustments:                                       |                         |              |
| Fee and asset management revenue                   | (384)                   | (753)        |
| Property management                                | 95,344                  | 92,485       |
| General and administrative                         | 52,757                  | 53,813       |
| Depreciation                                       | 831,083                 | 785,725      |
| Net (gain) loss on sales of real estate properties | (447,637)               | (256,810)    |
| Impairment   | —                       | 702          |
| Total NOI  | \$ 1,887,707            | \$ 1,790,532 |
| Rental income:                                     |                         |              |
| Same store   | \$ 2,453,259            | \$ 2,377,066 |
| Non-same store/other                               | 247,432                 | 200,615      |
| Total rental income                                | 2,700,691               | 2,577,681    |
| Operating expenses:                                |                         |              |
| Same store   | 734,553                 | 708,616      |
| Non-same store/other                               | 78,431                  | 78,533       |
| Total operating expenses                           | 812,984                 | 787,149      |
| NOI:   |                         |              |
| Same store   | 1,718,706               | 1,668,450    |
| Non-same store/other                               | 169,001                 | 122,082      |
| Total NOI  | \$ 1,887,707            | \$ 1,790,532 |

The Company anticipates the following same store results for the full year ending December 31, 2020, which assumptions are based on current expectations and are forward-looking:

| 2020 Same Store Assumptions |              |
|-----------------------------|--------------|
| Physical Occupancy          | 96.4%        |
| Revenue change              | 2.3% to 3.3% |
| Expense change              | 3.0% to 4.0% |
| NOI change                  | 1.5% to 3.5% |

The following table provides the actual same store revenue growth during the year ended December 31, 2019 as compared to the same period in 2018 and our expected full year same store revenue growth for 2020:

| <b>Markets/Metro Areas</b> | <b>Actual Full Year 2019 Same Store Revenue Growth</b> | <b>Projected Full Year 2020 Same Store Revenue Growth</b> |
|----------------------------|--|---|
| Boston                     | 4.0%   | 2.6% to 3.6%  |
| New York                   | 2.3%   | 2.1% to 3.1%  |
| Washington D.C.            | 2.3%   | 2.1% to 3.1%  |
| Seattle                    | 3.4%   | 3.5% to 4.5%  |
| San Francisco              | 3.7%   | 2.6% to 3.6%  |
| Los Angeles                | 3.7%   | 1.8% to 2.8%  |
| Orange County              | 3.8%   | 2.7% to 3.7%  |
| San Diego                  | 3.3%   | 2.3% to 3.3%  |
| Overall                    | 3.2%   | 2.3% to 3.3%  |

Same store revenues for the full year of 2019 were slightly lower than our most recent expectations but still performed at the high end of our expectations from the beginning of the year. Revenue increased due to record low turnover, strong occupancy and favorable overall demand. The Company's primary focus in 2019 was on providing remarkable experiences for our residents which resulted in record levels of customer satisfaction and resident retention. The Company's primary goals for 2020 will be to continue the 2019 trends while accelerating the deployment of various operating initiatives such as smart home technology and other sales and service related innovation improvements. We expect consistent demand that should help with the absorption of the continued elevated supply that we expect in many of our markets.

New rent control regulations enacted in both the New York and California markets during 2019 are expected to negatively impact our overall same store revenue results by approximately 20 basis points for 2020. Of the approximately 9,600 apartment units located in our New York market, approximately 3,100 apartment units are "rent stabilized" (primarily as a result of the 421(a) real estate tax abatement program) and therefore more directly impacted by these new regulations. Once the abatement expires, the apartment units can be brought to market rents and will no longer be subject to the rent control regulations. We estimate that the new regulations will have a negative impact on renewal rates for some of these 3,100 apartment units and will impact our ability to charge certain fees at all of our New York City properties (approximately 6,600 apartment units). California's new rent control regulations, which became effective on January 1, 2020, among other things limits the ability to raise rents on renewals to the local California consumer price index + 5% on properties fifteen years or older. It does not, however, impose such a cap upon vacancy of an apartment unit. Of our approximately 37,600 apartment units located in California, approximately 24,400 are subject to these new regulations.

Boston performed better than expected with strong demand across the market. Strong occupancy, new lease and renewal pricing increases drove our improved performance in 2019. However, with competitive new supply pressures increasing in 2020, we anticipate consistent occupancy but less growth from renewals and new leases that will lead to lower anticipated overall same store revenue growth levels in 2020.

Strong occupancy and pricing power continued to improve in New York as 2019 progressed. This market, however, experienced some seasonal softness near year-end, resulting in a concessionary environment that was greater than expected. For 2020, while we continue to believe the new rent control regulations will have a modestly negative impact on our New York market results, we expect overall same store revenue growth to improve from 2019 as pricing power returns to the market given the anticipated almost complete lack of competitive new supply. Additionally, we expect slightly higher occupancy and renewal rates, favorable market conditions and new lease growth in 2020.

Washington D.C. continued to demonstrate strength in demand with strong occupancy, renewal rates achieved and new lease change despite elevated supply in 2019. The economy, particularly in Northern Virginia, remains strong with gains in the professional and business services sector which are aiding in the absorption of new supply being delivered. In 2020, we anticipate improved results mostly driven by stronger embedded growth starting the year and similar operating outcomes for occupancy, new lease change and achieved renewal increase.

The Seattle market performed better than expected due to stronger than anticipated demand despite elevated new supply. Job growth continued to be very strong and we experienced the highest occupancy gains, renewal rates achieved and new lease pricing of any of our markets in 2019. We expect to produce better same store revenue growth in 2020 with similar occupancy, slight improvement to achieved renewal rates and the majority of growth coming from gains in new leases as we look to capitalize on the current and near-term pricing power in the portfolio.

San Francisco performed slightly below our most recent expectations due to lower occupancy and elevated supply, especially in the East Bay, impacting performance towards the end of 2019. While these trends are consistent with normal seasonal declines, they were modestly more pronounced. In 2020, we expect similar new supply levels with the concentration of competitive supply impacting the downtown and South Bay areas the most. Expected revenue growth in 2020 is lower compared to 2019 due to the impact of this new supply and the new rent control regulations. While we expect some softness when new supply is concentrated around us, this market has a critical mass of technology talent and growth drivers for strong long-term performance.

While the Los Angeles market continued to maintain steady occupancy and solid renewal rates, the market performed slightly below our expectations due to pricing power declines and negative new lease changes as new supply was delivered during the second half of 2019. We expect Los Angeles to be our most challenged market in 2020 due to elevated new supply, implementation of the new rent control regulations and restrictions on short-term lease pricing. Therefore, we expect slightly lower occupancy, modest gains in new lease change and a decline in renewal rate achieved growth.

In Orange County, results continued to be strong and in line with our expectations primarily due to high occupancy levels and in-line renewal rate achieved and new lease change. Our properties performed well against competitive new supply during 2019. For 2020, we expect to deliver similar occupancy, slight gains in new lease change and a decline in renewal rate achieved growth due to the impact of the new rent control regulations, leading to expected 2020 results below 2019. With strong occupancy, we believe that we are well-positioned heading into a competitive environment.

In San Diego, occupancy was better than expected but renewal rate achieved and new lease pricing were both lower than anticipated, resulting in same store revenue slightly below our expectations. Overall, military spending in this market remains strong but supply pressure limits our pricing power. We expect to deliver strong but lower same store revenue growth in 2020 with similar occupancy, slight gains in new lease change and a decline in renewal rate achieved growth based on the impact of the new rent control regulations. With strong occupancy, we believe that we are well-positioned heading into a competitive environment.

The following table provides comparative same store operating expenses for the 2019 Same Store Properties:

2019 vs. 2018  
Same Store Operating Expenses for 71,830 Same Store Apartment Units  
\$ in thousands

|                                      | Actual<br>2019    | Actual<br>2018    | \$<br>Change (5) | %<br>Change | % of Actual<br>2019<br>Operating<br>Expenses |
|--------------------------------------|-------------------|-------------------|------------------|-------------|--|
| Real estate taxes                    | \$ 315,033        | \$ 301,969        | \$ 13,064        | 4.3%        | 42.9%  |
| On-site payroll (1)                  | 157,120           | 155,901           | 1,219            | 0.8%        | 21.4%  |
| Utilities (2)                        | 98,015            | 94,949            | 3,066            | 3.2%        | 13.4%  |
| Repairs and maintenance (3)          | 92,361            | 90,050            | 2,311            | 2.6%        | 12.6%  |
| Insurance                            | 20,869            | 18,973            | 1,896            | 10.0%       | 2.8%   |
| Leasing and advertising              | 9,774             | 9,883             | (109)            | (1.1)%      | 1.3%   |
| Other on-site operating expenses (4) | 41,381            | 36,891            | 4,490            | 12.2%       | 5.6%   |
| Same store operating expenses        | <u>\$ 734,553</u> | <u>\$ 708,616</u> | <u>\$ 25,937</u> | <u>3.7%</u> | <u>100.0%</u>                                |

- (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.
- (5) The changes are due primarily to:
  - Real estate taxes – Increase above expectations due primarily to fewer recoveries from appeals activity.
  - On-site payroll – Increase below expectations. Payroll pressures continue but were offset by lower than expected employee benefit-related costs.
  - Utilities – Growth generally in line with expectations for the year.

- Insurance – Increase due to higher premiums on property insurance renewal as a result of challenging conditions in the insurance market.
- Other on-site operating expenses – Increase primarily driven by higher ground lease costs due to a contractual revaluation at one property along with higher association fees.

Same store expenses increased 3.7% during the year ended December 31, 2019 as compared to the same period in 2018, which was towards the low end of our original expectations (3.5% to 4.5%) and slightly lower than our most recent guidance provided in October 2019 (3.8%).

We anticipate same store expenses to increase between 3.0% to 4.0% for 2020 as compared to 2019 primarily due to the following items:

- Real estate taxes are estimated to remain elevated with an increase between 3.75% and 4.75% primarily due to the 421-a tax abatement benefits continuing to burn-off in New York, a slight decline in forecasted year-over-year appeals activity and anticipated rate pressure in Seattle;
- Payroll costs are estimated to increase approximately 2.25% to 3.25% primarily due to continued pressures from a tight labor market and anticipated increases in medical insurance and other employee benefits due to these costs being lower than expected in 2019. Excluding these anticipated medical expense/benefit pressures, we would expect growth to be very modest;
- Utilities are estimated to increase between 2.5% and 3.5% primarily due to continued modest commodity cost pressures along with increases in trash and sewer costs; and
- Repairs and maintenance costs are estimated to increase between 2.5% and 3.5% primarily due to significant pressure from increases in minimum wages for contract labor and additional cost from our operating initiatives offset by forecasted better utilization of our internal workforce.

Same store NOI increased 3.0% for the full year 2019 as compared to the same period in 2018, which was at the high end of our original expectations (1.5% to 3.0%) and slightly lower than our most recent guidance provided in October 2019 (3.1%). The Company anticipates same store NOI growth for the full year 2020 of approximately 1.5% to 3.5% as a result of the same store revenue and expense expectations discussed above.

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, 2019 increased approximately \$46.9 million compared to the same period of 2018 and consist primarily of properties acquired in calendar years 2018 and 2019, operations from the Company's development properties and operations prior to disposition from 2018 and 2019 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 \$13.4 million;
- A positive impact of higher NOI from properties mainly acquired in 2018 and 2019 of \$53.2 million;
- A positive impact of higher NOI from other non-same store properties (including one current and two former master leased properties) of \$0.8 million; and
- A negative impact of lost NOI from 2018 and 2019 dispositions of \$31.7 million.

**Comparison of the year ended December 31, 2019 to the year ended December 31, 2018.**

The following table presents a reconciliation of diluted earnings per share/unit for the year ended December 31, 2019 as compared to the same period in 2018:

|  | Year Ended<br>December 31 |
|--|---------------------------|
| Diluted earnings per share/unit for full year 2018 | \$ 1.77                   |
| Property NOI                                       | 0.25                      |
| Debt extinguishment costs                          | 0.05                      |
| Depreciation expense                               | (0.09)                    |
| Net gain/loss on property/unconsolidated sales     | 0.67                      |
| Other  | (0.05)                    |
| Diluted earnings per share/unit for full year 2019 | <u>\$ 2.60</u>            |

The increase in consolidated NOI is primarily a result of the Company's improved NOI from same store and lease-up properties along with NOI from the Company's recent transaction activity. The following table presents the changes in the components of consolidated NOI for the year ended December 31, 2019 as compared to the same period in 2018:

|                                     | Year Ended<br>December 31, 2019 |
|-------------------------------------|---------------------------------|
| Consolidated rental income          | 4.8%                            |
| Consolidated operating expenses (1) | 3.3%                            |
| Consolidated NOI                    | 5.4%                            |

(1) Consolidated operating expenses are comprised of property and maintenance and real estate taxes and insurance.

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 \$2.9 million or 3.1% during the year ended December 31, 2019 as compared to 2018. These increases are primarily attributable to increases in legal and professional fees, computer operations and education/conferences cost. The Company anticipates that property management expenses will approximate \$100.0 million to \$102.0 million for the year ending December 31, 2020, inclusive of \$1.5 million of additional expenses for various operating initiatives such as sales-focused improvements and service enhancements along with personnel costs to support these initiatives.

General and administrative expenses, which include corporate operating expenses, decreased approximately \$1.1 million or 2.0% during the year ended December 31, 2019 as compared to 2018, primarily due to decreases in payroll-related costs, partially offset by increases in office rent. The Company anticipates that general and administrative expenses will approximate \$50.0 million to \$52.0 million for the year ending December 31, 2020.

Depreciation expense, which includes depreciation on non-real estate assets, increased approximately \$45.4 million or 5.8% during the year ended December 31, 2019 as compared to 2018, primarily as a result of additional depreciation expense on properties acquired in 2018 and 2019 and development properties placed in service during 2018 and 2019, offset by lower depreciation from properties sold in 2018 and 2019.

Net gain on sales of real estate properties increased approximately \$190.8 million or 74.3% during the year ended December 31, 2019 as compared to 2018, primarily as a result of a higher sales volume with the sale of eleven consolidated apartment properties in 2019 as compared to five consolidated apartment properties in 2018.

Interest and other income decreased approximately \$12.5 million or 81.6% during the year ended December 31, 2019 as compared to 2018, primarily due to a decline in insurance/litigation settlement proceeds received during 2019 as compared to 2018. The Company anticipates that interest and other income will approximate \$1.5 million to \$2.0 million for the year ending December 31, 2020, excluding certain non-comparable insurance/litigation settlement proceeds.

Other expenses increased approximately \$0.9 million or 5.3% during the year ended December 31, 2019 as compared to 2018, primarily due to an increase in expenses related to litigation settlements, pursuit costs and various consulting costs related to a data analytics project, partially offset by a decrease in advocacy contributions in 2019 as compared to 2018.

Interest expense, including amortization of deferred financing costs, decreased approximately \$22.9 million or 5.4% during the year ended December 31, 2019 as compared to 2018. The decrease is due primarily to \$17.3 million in lower debt extinguishment costs in 2019 as compared to 2018. The effective interest cost on all indebtedness, excluding debt extinguishment costs/prepayment

penalties, for the year ended December 31, 2019 was 4.20% as compared to 4.32% in 2018. The Company capitalized interest of approximately \$6.9 million and \$6.3 million during the years ended December 31, 2019 and 2018, respectively. The Company anticipates that interest expense, excluding debt extinguishment costs/prepayment penalties, will approximate \$340.0 million to \$348.0 million and capitalized interest will approximate \$12.0 million to \$14.0 million for the year ending December 31, 2020.

Income and other tax benefit increased approximately \$3.2 million during the year ended December 31, 2019 as compared to 2018, primarily due to various alternative minimum tax credit refunds recognized in 2019 that did not occur in 2018. The Company anticipates that income and other tax expense will approximate \$0.7 million to \$1.2 million for the year ending December 31, 2020.

Income from investments in unconsolidated entities increased approximately \$69.6 million during the year ended December 31, 2019 as compared to 2018, primarily as a result of a \$69.5 million gain on the sale of two unconsolidated properties in 2019 that did not occur in 2018.

Net gain on sales of land parcels increased approximately \$1.1 million during the year ended December 31, 2019 as compared to 2018, primarily due to a higher gain on the sale of two land parcels in 2019 as compared to one land parcel sale in 2018.

For comparison of the year ended December 31, 2018 to the year ended December 31, 2017, refer to Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2018.

## **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, 2019, the Company had approximately \$47.4 million of cash and cash equivalents and approximately \$68.9 million of restricted deposits, and the available borrowing capacity on its revolving credit facility was \$1.40 billion. After the effect of the various transactions discussed in the following paragraphs and the net cash provided by operating activities, at December 31, 2019, the Company's cash and cash equivalents balance was approximately \$45.8 million, the restricted deposits balance was approximately \$71.2 million and the available borrowing capacity on its revolving credit facility was \$1.38 billion. See Note 9 in the Notes to Consolidated Financial Statements for further discussion of the availability on the Company's revolving credit facility.

During the year ended December 31, 2019, the Company generated proceeds from various transactions, which included the following:

- Disposed of eleven consolidated rental properties, two unconsolidated rental properties and two land parcels, receiving combined net proceeds of approximately \$1.1 billion;
- Obtained \$295.8 million of mortgage loan proceeds;
- Issued \$600.0 million of ten-year 3.00% unsecured notes, receiving net proceeds of approximately \$597.5 million before underwriting fees, hedge termination costs and other expenses;
- Issued \$600.0 million of ten-year 2.50% unsecured notes, receiving net proceeds of approximately \$597.0 million before underwriting fees and other expenses; and
- Issued Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$80.9 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, 2019, 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 thirteen consolidated rental properties and four land parcels for approximately \$1.5 billion in cash;
- Invest \$195.7 million primarily in development projects;
- Repay \$749.8 million of mortgage loans (inclusive of scheduled principal repayments) and incur prepayment penalties of approximately \$3.4 million; and
- Repay \$1.1 billion of unsecured notes and incur prepayment penalties of approximately \$10.3 million.



### *Credit Facility and Commercial Paper Program*

The Company has a \$2.5 billion unsecured revolving credit facility maturing November 1, 2024. The Company has the ability to increase available borrowings by an additional \$750.0 million by adding lenders to the facility, obtaining the agreement of existing lenders to increase their commitments or incurring one or more term loans. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 0.775%), or based on bids received from the lending group, and the Company pays a quarterly facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating.

The unsecured revolving credit agreement contains provisions that establish a process for entering into an amendment to replace LIBOR under certain circumstances, such as the anticipated phase-out of LIBOR by the end of 2021. At this time, it cannot be determined what interest rate(s) may succeed LIBOR, if any, and how any successor or alternative rates for LIBOR may affect borrowing costs or the availability of variable interest rate borrowings.

The Company has an unsecured commercial paper note program in the United States. The Company may borrow up to a maximum of \$1.0 billion 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.

The Company limits its utilization of the revolving credit facility in order to maintain liquidity to support its \$1.0 billion commercial paper program along with certain other obligations. The following table presents the availability on the Company's unsecured revolving credit facility as of February 14, 2020 (amounts in thousands):

|   | <b>February 14, 2020</b> |
|---|--------------------------|
| Unsecured revolving credit facility commitment          | \$ 2,500,000             |
| Commercial paper balance outstanding                    | (1,000,000)              |
| Unsecured revolving credit facility balance outstanding | (10,000)                 |
| Other restricted amounts                                | (100,949)                |
| Unsecured revolving credit facility availability        | <u>\$ 1,389,051</u>      |

### *Dividend Policy*

The Company determines its dividends/distributions 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 2019 of \$0.5675 per share/unit, an annualized increase of 5.1% over the amount paid in 2018. This increase is supported by the Company's strong growth in property operations and a significant reduction in its development activity resulting in a material increase in available cash flow. The Company's 2019 operating cash flow was sufficient to cover capital expenditures and regular dividends/distributions.

The Company expects to declare a dividend/distribution of \$0.6025 per share/unit for the first quarter of 2020, an annualized increase of 6.2% over the amount paid in 2019. This increase is driven by the Company's continued strong cash flow performance, solid balance sheet and modest payout ratio. The Company believes that its expected 2020 operating cash flow will be sufficient to cover capital expenditures and regular dividends/distributions. All future dividends/distributions remain subject to the discretion of the Company's Board of Trustees.

Total dividends/distributions paid in January 2020 amounted to \$218.3 million (excluding distributions on Partially Owned Properties), which consisted of certain distributions declared during the fourth quarter ended December 31, 2019.

### *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 and financing of 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 a significant number of 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 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 \$27.5 billion in investment in real estate on the Company's balance sheet at December 31, 2019, \$23.9 billion or 86.9% 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 and guarantees certain debt of the Operating Partnership from time to time. 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, 2019 are as follows:

**Debt Summary as of December 31, 2019**  
**(\$ in thousands)**

|                                       | Amounts             | % of Total    | Weighted<br>Average<br>Rates | Weighted<br>Average<br>Maturities<br>(years) |
|---------------------------------------|---------------------|---------------|------------------------------|--|
| Secured                               | \$ 1,941,610        | 21.5%         | 3.84%                        | 6.5  |
| Unsecured                             | 7,095,346           | 78.5%         | 4.07%                        | 9.2  |
| Total                                 | <u>\$ 9,036,956</u> | <u>100.0%</u> | <u>4.02%</u>                 | <u>8.6</u>                                   |
| Fixed Rate Debt:                      |                     |               |                              |  |
| Secured – Conventional                | \$ 1,574,699        | 17.4%         | 4.28%                        | 4.3  |
| Unsecured – Public                    | 6,077,513           | 67.3%         | 4.24%                        | 10.8   |
| Fixed Rate Debt                       | <u>7,652,212</u>    | <u>84.7%</u>  | <u>4.25%</u>                 | <u>9.5</u>                                   |
| Floating Rate Debt:                   |                     |               |                              |  |
| Secured – Conventional                | 7,050               | 0.1%          | 3.28%                        | 2.5  |
| Secured – Tax Exempt                  | 359,861             | 4.0%          | 1.94%                        | 16.0   |
| Unsecured – Public                    | —                   | —             | 3.34%                        | —  |
| Unsecured – Revolving Credit Facility | 20,000              | 0.2%          | 3.12%                        | 4.8  |
| Unsecured – Commercial Paper Program  | 997,833             | 11.0%         | 2.42%                        | —  |
| Floating Rate Debt                    | <u>1,384,744</u>    | <u>15.3%</u>  | <u>2.49%</u>                 | <u>4.3</u>                                   |
| Total                                 | <u>\$ 9,036,956</u> | <u>100.0%</u> | <u>4.02%</u>                 | <u>8.6</u>                                   |

**Debt Maturity Schedule as of December 31, 2019**  
(\$ in thousands)

| Year  | Fixed Rate          | Floating Rate       | Total               | % of Total    | Weighted Average Coupons on Fixed Rate Debt | Weighted Average Coupons on Total Debt |
|---|---------------------|---------------------|---------------------|---------------|---|--|
| 2020  | \$ 27,542           | \$ 1,000,000 (1)    | \$ 1,027,542        | 11.3%         | 4.56%                                       | 2.07%                                  |
| 2021  | 926,404             | —                   | 926,404             | 10.1%         | 4.64%                                       | 4.64%                                  |
| 2022  | 264,185             | 7,650               | 271,835             | 3.0%          | 3.25%                                       | 3.23%                                  |
| 2023  | 1,325,588           | 3,500               | 1,329,088           | 14.5%         | 3.74%                                       | 3.73%                                  |
| 2024  | —                   | 26,100 (2)          | 26,100              | 0.3%          | N/A   | 2.37%                                  |
| 2025  | 450,000             | 8,200               | 458,200             | 5.0%          | 3.38%                                       | 3.34%                                  |
| 2026  | 592,025             | 9,000               | 601,025             | 6.6%          | 3.58%                                       | 3.56%                                  |
| 2027  | 400,000             | 9,800               | 409,800             | 4.5%          | 3.25%                                       | 3.21%                                  |
| 2028  | 900,000             | 42,380              | 942,380             | 10.3%         | 3.79%                                       | 3.70%                                  |
| 2029  | 888,120             | 11,500              | 899,620             | 9.9%          | 3.30%                                       | 3.28%                                  |
| 2030+   | 1,950,850           | 288,135             | 2,238,985           | 24.5%         | 3.81%                                       | 3.53%                                  |
| Subtotal  | 7,724,714           | 1,406,265           | 9,130,979           | 100.0%        | 3.75%                                       | 3.47%                                  |
| Deferred Financing Costs and Unamortized (Discount) | (72,502)            | (21,521)            | (94,023)            | N/A           | N/A   | N/A                                    |
| Total   | <u>\$ 7,652,212</u> | <u>\$ 1,384,744</u> | <u>\$ 9,036,956</u> | <u>100.0%</u> | <u>3.75%</u>                                | <u>3.47%</u>                           |

(1) Represents principal outstanding on the Company's commercial paper program.

(2) Includes \$20.0 million in principal outstanding on the Company's revolving credit facility.

See the Definitions section below for the definition of Weighted Average Coupons and Weighted Average Rates. See also Note 9 in the Notes to Consolidated Financial Statements for additional discussion of debt at December 31, 2019.

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2019 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, 2019**  
(Amounts in thousands except for share/unit and per share amounts)

|  |                     |               |               |
|--|---------------------|---------------|---------------|
| Secured Debt                                   | \$ 1,941,610        | 21.5%         |               |
| Unsecured Debt                                 | 7,095,346           | 78.5%         |               |
| <b>Total Debt</b>                              | <b>9,036,956</b>    | <b>100.0%</b> | <b>22.4%</b>  |
| Common Shares (includes Restricted Shares)     | 371,670,884         | 96.4%         |               |
| Units (includes OP Units and Restricted Units) | 13,731,315          | 3.6%          |               |
| Total Shares and Units                         | 385,402,199         | 100.0%        |               |
| Common Share Price at December 31, 2019        | <u>\$ 80.92</u>     |               |               |
|  | 31,186,746          | 99.9%         |               |
| Perpetual Preferred Equity                     | 37,280              | 0.1%          |               |
| <b>Total Equity</b>                            | <b>31,224,026</b>   | <b>100.0%</b> | <b>77.6%</b>  |
| <b>Total Market Capitalization</b>             | <b>\$40,260,982</b> |               | <b>100.0%</b> |

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2019 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.

**ERP Operating Limited Partnership**  
**Capital Structure as of December 31, 2019**  
(Amounts in thousands except for unit and per unit amounts)

|   |                     |               |               |
|---|---------------------|---------------|---------------|
| Secured Debt                            | \$ 1,941,610        | 21.5%         |               |
| Unsecured Debt                          | 7,095,346           | 78.5%         |               |
| <b>Total Debt</b>                       | <b>9,036,956</b>    | <b>100.0%</b> | <b>22.4%</b>  |
| Total Outstanding Units                 | 385,402,199         |               |               |
| Common Share Price at December 31, 2019 | \$ 80.92            |               |               |
|   | 31,186,746          | 99.9%         |               |
| Perpetual Preference Units              | 37,280              | 0.1%          |               |
| <b>Total Equity</b>                     | <b>31,224,026</b>   | <b>100.0%</b> | <b>77.6%</b>  |
| <b>Total Market Capitalization</b>      | <b>\$40,260,982</b> |               | <b>100.0%</b> |

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 in June 2019 and expires in June 2022. 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).

The Company has an At-The-Market ("ATM") share offering program which allows EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. In June 2019, the Company extended the program maturity to June 2022. In connection with the extension, the Company may now also sell Common Shares under forward sale agreements. The use of a forward sale agreement would allow the Company to lock in a price on the sale of Common Shares at the time the agreement is executed, but defer receiving the proceeds from the sale until a later date. EQR has the authority to issue 13.0 million shares but has not issued any shares under this program since September 2012. 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, including (among others) market conditions, the trading price of EQR's Common Shares and determinations of the appropriate sources of funding for EQR. Through February 14, 2020, 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.

The Company may repurchase up to 13.0 million Common Shares under its share repurchase program. No open market repurchases have occurred since 2008, and no repurchases of any kind have occurred since February 2014. EQR may, but shall have no obligation to, repurchase Common Shares through the share repurchase program in amounts and at times to be determined by EQR. Actual repurchases will depend on a variety of factors, including (among others) market conditions, the trading price of EQR's Common Shares and other opportunities for the investment of available capital. As of February 14, 2020, EQR has remaining authorization to repurchase up to 13.0 million of its shares.

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 14, 2020 are as follows:

|  | Standard &<br>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, 2019.

***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;
- mechanical equipment such as individual furnace/air units, hot water heaters, smoke/carbon monoxide/water alarms, etc.;
- furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors, countertops, etc.; and
- blinds and window coverings.

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 may be restricted by other thresholds); (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, 2019, 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, 2019**

|   | Same Store<br>Properties (4) | Non-Same Store<br>Properties/Other (5) | Total      | Same Store Avg. Per<br>Apartment Unit |
|---|------------------------------|--|------------|---------------------------------------|
| Total Apartment Units                     | 71,830                       | 8,132                                  | 79,962     |                                       |
| Building Improvements (1)                 | \$ 91,256                    | \$ 7,469                               | \$ 98,725  | \$ 1,270                              |
| Renovation Expenditures (2)               | 37,466                       | 2,607                                  | 40,073     | 522                                   |
| Replacements (3)                          | 37,063                       | 2,562                                  | 39,625     | 516                                   |
| Total Capital Expenditures to Real Estate | \$ 165,785                   | \$ 12,638                              | \$ 178,423 | \$ 2,308                              |

- (1) 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.
- (2) 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 2,415 same store apartment units approximated \$15,515 per apartment unit renovated.
- (3) Replacements – Includes appliances, mechanical equipment, fixtures and flooring (including hardwood and carpeting).
- (4) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2018, less properties subsequently sold.
- (5) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2018 and 2019, plus any properties in lease-up and not stabilized as of January 1, 2018. Also includes capital expenditures for properties sold.

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<br>Properties (5) | Non-Same Store<br>Properties/Other (6) | Total      | Same Store<br>Avg. Per<br>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 to Real Estate | \$ 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).
- (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.

The Company estimates that during 2020 it will spend approximately \$2,600 per same store apartment unit or \$195.0 million of total capital expenditures to real estate for same store properties. Included in these total expected expenditures are approximately \$50.0 million for apartment unit renovation expenditures on approximately 2,500 same store apartment units at an average cost of approximately \$20,000 per apartment unit renovated and approximately \$10.0 million on smart home technology upgrades on approximately 10,000 same store apartment units at an average cost of approximately \$1,000 per apartment unit. The anticipated total capital expenditures to real estate for same store properties represent a higher absolute and per unit dollar amount and percentage of same store revenues as compared to 2019, primarily due to the higher expected renovation expenditures and smart home technology upgrades.

During the year ended December 31, 2019, 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 \$5.0 million. The Company expects to fund approximately \$22.7 million in total non-real estate capital additions in 2020. These anticipated fundings are significantly higher than 2019 and are primarily driven by corporate office renovations during 2020.

***Derivative Instruments***

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company may seek 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 derivative 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 10 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at December 31, 2019.

## 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 sales 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.
- Weighted Average Coupons – Contractual interest rate for each debt instrument weighted by principal balances as of December 31, 2019. In case of debt for which fair value hedges are in place, the rate payable under the corresponding derivatives is used in lieu of the contractual interest rate.
- Weighted Average Rates – Interest expense for each debt instrument for the year ended December 31, 2019 weighted by its average principal balance for the same period. Interest expense includes amortization of premiums, discounts and other comprehensive income on debt and related derivative instruments. In case of debt for which derivatives are in place, the income or expense recognized under the corresponding derivatives is included in the total interest expense for the period.

## 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, 2019:

**Payments Due by Year (in thousands)**

| <b>Contractual Obligations</b>          | <b>2020</b>        | <b>2021</b>        | <b>2022</b>      | <b>2023</b>        | <b>2024</b>      | <b>Thereafter</b>   | <b>Unamortized Cost/Discounts</b> | <b>Total</b>        |
|---|--------------------|--------------------|------------------|--------------------|------------------|---------------------|-----------------------------------|---------------------|
| <b>Debt:</b>                            |                    |                    |                  |                    |                  |                     |                                   |                     |
| Principal (1)                           | \$1,027,542        | \$ 926,404         | \$271,835        | \$1,329,088        | \$ 26,100        | \$ 5,550,010        | \$ (94,023)                       | \$ 9,036,956        |
| Interest (2)                            | 293,787            | 285,821            | 246,209          | 224,351            | 191,102          | 1,654,552           | —                                 | 2,895,822           |
| <b>Finance Leases (3):</b>              |                    |                    |                  |                    |                  |                     |                                   |                     |
| Minimum Rent Payments                   | 567                | 578                | 590              | 601                | 614              | 33,850              | —                                 | 36,800              |
| <b>Operating Leases (3):</b>            |                    |                    |                  |                    |                  |                     |                                   |                     |
| Minimum Rent Payments                   | 16,914             | 17,161             | 16,907           | 16,998             | 17,330           | 979,172             | —                                 | 1,064,482           |
| <b>Other Long-Term Liabilities (3):</b> |                    |                    |                  |                    |                  |                     |                                   |                     |
| Deferred Compensation                   | 761                | 1,116              | 1,116            | 991                | 709              | 3,897               | —                                 | 8,590               |
| <b>Total</b>                            | <b>\$1,339,571</b> | <b>\$1,231,080</b> | <b>\$536,657</b> | <b>\$1,572,029</b> | <b>\$235,855</b> | <b>\$ 8,221,481</b> | <b>\$ (94,023)</b>                | <b>\$13,042,650</b> |

(1) Amounts include aggregate principal payments only.

(2) Amounts include interest expected to be incurred on the Company's secured and unsecured debt based on obligations outstanding at December 31, 2019 and inclusive of capitalized interest. For floating rate debt, the current rate in effect for the most recent payment through December 31, 2019 is assumed to be in effect through the respective maturity date of each instrument.

(3) See Note 8 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's lease disclosures. See Note 16 in the Notes to Consolidated Financial Statements for discussion regarding the Company's deferred compensation.

### **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, 2019.

The Company has identified the significant accounting policies below 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.

#### *Impairment of Long-Lived Assets*

The Company periodically evaluates its long-lived assets, including its investment 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, legal, regulatory and environmental concerns, the Company's intent and ability to hold the related asset, as well as any significant cost overruns on development properties. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment loss is warranted. Assessing impairment can be complex and involves a high degree of subjectivity in determining if indicators are present and in estimating the future undiscounted cash flows or the fair value of an asset. In particular, these estimates are sensitive to significant assumptions, including the estimation of future rental revenues, operating expenses, discount and capitalization rates and our intent and ability to hold the related asset, all of which could be affected by our expectations about future market or economic conditions. These estimates can have a significant impact on the undiscounted cash flows or estimated fair value of an asset.

#### *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.



## 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, 2019:

### Funds From Operations and Normalized Funds From Operations (Amounts in thousands)

|  | Year Ended December 31, |                     |                     |                     |                     |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2019                    | 2018                | 2017                | 2016                | 2015                |
| Net income   | \$ 1,009,708            | \$ 685,192          | \$ 628,381          | \$ 4,480,104        | \$ 908,018          |
| Net (income) loss attributable to Noncontrolling Interests –                     |                         |                     |                     |                     |                     |
| Partially Owned Properties   | (3,297)                 | (2,718)             | (2,323)             | (16,430)            | (3,657)             |
| Preferred/preference distributions   | (3,090)                 | (3,090)             | (3,091)             | (3,091)             | (3,357)             |
| Premium on redemption of Preferred Shares/Preference Units                       | —                       | —                   | —                   | —                   | (3,486)             |
| Net income available to Common Shares and Units / Units                          | 1,003,321               | 679,384             | 622,967             | 4,460,583           | 897,518             |
| Adjustments:   |                         |                     |                     |                     |                     |
| Depreciation   | 831,083                 | 785,725             | 743,749             | 705,649             | 765,895             |
| Depreciation – Non-real estate additions   | (5,585)                 | (4,561)             | (5,023)             | (5,224)             | (4,981)             |
| Depreciation – Partially Owned Properties  | (3,599)                 | (3,740)             | (4,526)             | (3,805)             | (4,332)             |
| Depreciation – Unconsolidated Properties   | 2,997                   | 4,451               | 4,577               | 4,745               | 4,920               |
| Net (gain) loss on sales of unconsolidated entities – operating assets           | (69,522)                | —                   | (73)                | (8,841)             | (100)               |
| Net (gain) loss on sales of real estate properties                               | (447,637)               | (256,810)           | (157,057)           | (4,044,055)         | (335,134)           |
| 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)                | —                   |
| Impairment – operating assets  | —                       | 702                 | —                   | —                   | —                   |
| FFO available to Common Shares and Units / Units (1) (3) (4)                     | 1,311,058               | 1,204,867           | 1,204,904           | 1,123,530           | 1,323,786           |
| Adjustments:   |                         |                     |                     |                     |                     |
| Impairment – non-operating assets  | —                       | —                   | 1,693               | —                   | —                   |
| Write-off of pursuit costs   | 5,529                   | 4,450               | 3,106               | 4,092               | 3,208               |
| Debt extinguishment and preferred share redemption (gains) losses                | 23,991                  | 41,335              | 11,789              | 121,694             | 5,704               |
| Non-operating asset (gains) losses   | (940)                   | (161)               | (18,884)            | (73,301)            | (18,805)            |
| Other miscellaneous items  | 8,430                   | (1,781)             | (3,371)             | 3,635               | 3,909               |
| Normalized FFO available to Common Shares and Units / Units (2) (3) (4)          | <u>\$ 1,348,068</u>     | <u>\$ 1,248,710</u> | <u>\$ 1,199,237</u> | <u>\$ 1,179,650</u> | <u>\$ 1,317,802</u> |
| FFO (1) (3)  | \$ 1,314,148            | \$ 1,207,957        | \$ 1,207,995        | \$ 1,126,621        | \$ 1,330,629        |
| Preferred/preference distributions   | (3,090)                 | (3,090)             | (3,091)             | (3,091)             | (3,357)             |
| Premium on redemption of Preferred Shares/Preference Units                       | —                       | —                   | —                   | —                   | (3,486)             |
| FFO available to Common Shares and Units / Units (1) (3) (4)                     | <u>\$ 1,311,058</u>     | <u>\$ 1,204,867</u> | <u>\$ 1,204,904</u> | <u>\$ 1,123,530</u> | <u>\$ 1,323,786</u> |
| Normalized FFO (2) (3)   | \$ 1,351,158            | \$ 1,251,800        | \$ 1,202,328        | \$ 1,182,741        | \$ 1,321,159        |
| Preferred/preference distributions   | (3,090)                 | (3,090)             | (3,091)             | (3,091)             | (3,357)             |
| Normalized FFO available to Common Shares and Units / Units (2) (3) (4)          | <u>\$ 1,348,068</u>     | <u>\$ 1,248,710</u> | <u>\$ 1,199,237</u> | <u>\$ 1,179,650</u> | <u>\$ 1,317,802</u> |

- (1) The National Association of Real Estate Investment Trusts (“Nareit”) defines funds from operations (“FFO”) (December 2018 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 depreciable real estate and land when connected to the main business of a REIT, impairment write-downs of investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity and depreciation and amortization related to real estate. Adjustments for partially owned consolidated and unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis.

- (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 from sales and impairment write-downs of depreciable real estate and excluding depreciation related to real estate (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 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 is exposed to market risk from financial instruments primarily from changes in interest rates. Such risks derive from the refinancing of debt maturities, from exposure to interest rate fluctuations on floating rate debt and from derivative instruments utilized to swap fixed rate debt to floating or to hedge rates in anticipation of future debt issuances. Our operating results are, therefore, affected by changes in short-term interest rates, primarily London interbank offered rate (“LIBOR”) and Securities Industry and Financial Markets Association (“SIFMA”) indices, which directly impact borrowings under our revolving credit facility and interest on secured and unsecured borrowings contractually tied to such rates. Short-term interest rates also indirectly affect the discount on notes issued under our commercial paper program. Additionally, we have exposure to long-term interest rates, particularly U.S. Treasuries as they are utilized to price our long term borrowings and therefore affect the cost of refinancing existing debt or incurring additional debt.

The Company monitors and manages interest rates as part of its risk management process, by targeting adequate levels of floating rate exposure and an appropriate debt maturity profile. From time to time, we may utilize derivative instruments to manage interest rate exposure and to comply with the requirements of certain lenders, but not for trading or speculative purposes. See also Note 10 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments.

The Company had total variable rate debt of \$1.4 billion, representing 15.3% of total debt, and \$1.4 billion, representing 16.4% of total debt as of December 31, 2019 and 2018, respectively. If interest rates had been 100 basis points higher in 2019 and 2018 and average balances coincided with year end balances, our annual interest expense would have been \$13.8 million and \$14.5 million higher, respectively. Unsecured notes issued under the Company’s commercial paper program are treated as variable rate debt for the purposes of this calculation even though they do not have a stated interest rate, given their short-term nature. The effect of derivatives, if applicable, is also considered when computing the total amount of variable rate debt.

Changes in interest rates also affect the estimated fair market value of our fixed rate debt, computed using a discounted cash flow model. As of December 31, 2019, the Company had total outstanding fixed rate debt of \$7.7 billion, or 84.7% of total debt, with an estimated fair market value of \$8.2 billion. If interest rates had been 100 basis points lower as of December 31, 2019, the estimated fair market value would have increased by approximately \$664.4 million. As of December 31, 2018, the Company had total outstanding fixed rate debt of \$7.4 billion, or 83.6% of total debt, with an estimated fair market value of \$7.4 billion. If interest rates had been 100 basis points lower as of December 31, 2018, the estimated fair market value would have increased by approximately \$514.3 million.

The Company had no outstanding derivative instruments as of December 31, 2019 and had derivative instruments with a net liability fair value of approximately \$10.1 million as of December 31, 2018. If interest rates had been 27 basis points (representing 10% of the weighted average of the then prevailing market rates) lower on December 31, 2018, the liability would have increased by approximately \$11.3 million.

These amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. 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 these 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, 2019, 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.

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, 2019. Our internal control over financial reporting has been audited as of December 31, 2019 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 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**(a) Evaluation of Disclosure Controls and Procedures:**

Effective as of December 31, 2019, 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, 2019. Our internal control over financial reporting has been audited as of December 31, 2019 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 2019 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.

### **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, 2019, 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.

## **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.

## 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     | Articles of Restatement of Declaration of Trust of Equity Residential dated December 9, 2004.  | Included as Exhibit 3.1 to Equity Residential’s Form 10-K for the year ended December 31, 2004.   |
| 3.2     | Eighth Amended and Restated Bylaws of Equity Residential, effective as of October 1, 2015.   | Included as Exhibit 3.1 to Equity Residential's Form 8-K dated and filed on October 1, 2015.  |
| 3.3     | First Amendment to Eighth Amended and Restated Bylaws of Equity Residential, dated November 20, 2017.  | Included as Exhibit 3.1 to Equity Residential's Form 8-K dated and filed on November 20, 2017.  |
| 3.4     | Sixth Amended and Restated Agreement of Limited Partnership for ERP Operating Limited Partnership dated as of March 12, 2009.                                | 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     | Description of Equity Residential Common Shares Registered Under Section 12 of the Securities Exchange Act of 1934.  | Attached herein.  |
| 4.2     | Description of ERP Operating Limited Partnership Notes Registered Under Section 12 of the Securities Exchange Act of 1934.                                   | Attached herein.  |
| 4.3     | Description of ERP Operating Limited Partnership OP Units Registered Under Section 12 of the Securities Exchange Act of 1934.                                | Attached herein.  |
| 4.4     | 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. **   |
| 4.5     | First Supplemental Indenture to Indenture, dated as of September 9, 2004.  | Included as Exhibit 4.2 to ERP Operating Limited Partnership’s Form 8-K, filed on September 10, 2004.   |
| 4.6     | Second Supplemental Indenture to Indenture, dated as of August 23, 2006.   | Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated August 16, 2006, filed on August 23, 2006.                            |
| 4.7     | Third Supplemental Indenture to Indenture, dated as of June 4, 2007.   | Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated May 30, 2007, filed on June 1, 2007.                                  |
| 4.8     | Fourth Supplemental Indenture to Indenture, dated as of December 12, 2011.   | Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated December 7, 2011, filed on December 9, 2011.                          |
| 4.9     | Fifth Supplemental Indenture to Indenture, dated as of February 1, 2016.   | 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.             |
| 4.10    | 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.                          |
| 4.11    | 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.                                |
| 4.12    | 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.                                  |
| 4.13    | 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.  |
| 4.14    | 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.                            |
| 4.15    | 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.      |
| 4.16    | 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. |



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| 4.17  | 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. |
| 4.18  | Form of 3.000% Note due July 1, 2029.  | Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated June 17, 2019, filed on June 20, 2019.         |
| 4.19  | Form of 2.500% Note due February 15, 2030.   | Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated August 20, 2019, filed on August 22, 2019.     |
| 4.20  | 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.                                  |
| 4.21  | Form of 4.500% Note due June 1, 2045.  | Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated May 11, 2015, filed on May 13, 2015.                                    |
| 4.22  | Form of 4.000% Note due August 1, 2047.  | 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  | Revolving Credit Agreement, dated as of November 1, 2019, among ERP Operating Limited Partnership, Bank of America, N.A., as Administrative Agent, and the financial institutions party thereto. | Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated November 1, 2019, filed on November 4, 2019.  |
| 10.5  | Amended and Restated Limited Partnership Agreement of Lexford Properties, L.P.   | Included as Exhibit 10.16 to Equity Residential's Form 10-K for the year ended December 31, 1999.   |
| 10.6  | * Equity Residential 2019 Share Incentive Plan.  | Included as Exhibit 99.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated June 27, 2019, filed on July 1, 2019.         |
| 10.7  | * Equity Residential 2011 Share Incentive Plan.  | 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.   |

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|-------|--|--|
| 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.       |
| 10.19 | * Fourth 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 September 30, 2013.  |
| 10.20 | * Form of 2018 Long-Term Incentive Plan Award Agreement.   | 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.      |
| 10.21 | * Form of Change in Control/Severance Agreement between the Company and other executive officers.  | Included as Exhibit 10.13 to Equity Residential's Form 10-K for the year ended December 31, 2001.  |
| 10.22 | * Form of First Amendment to Amended and Restated Change in Control/Severance Agreement with each executive officer.   | Included as Exhibit 10.1 to Equity Residential's Form 10-Q for the quarterly period ended March 31, 2009.  |
| 10.23 | * Form of Indemnification Agreement between the Company and each trustee and executive officer.  | Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2003.  |
| 10.24 | * Form of Letter Agreement between Equity Residential and Alan W. George.  | Included as Exhibit 10.3 to Equity Residential's Form 10-Q for the quarterly period ended September 30, 2008.  |
| 10.25 | * Form of Executive Retirement Benefits Agreement.   | Included as Exhibit 10.24 to Equity Residential's Form 10-K for the year ended December 31, 2006.  |
| 10.26 | * Retirement Benefits Agreement between Samuel Zell and the Company dated October 18, 2001.  | Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2001.  |
| 10.27 | * Rule of 70 Retirement Agreement, dated February 28, 2018, by and between Equity Residential and David S. Santee.   | 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.      |
| 10.28 | * 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.  |
| 10.29 | * 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.       |
| 10.30 | * 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.  |
| 10.31 | Distribution Agreement, dated June 6, 2019, among the Company, the Operating Partnership, JPMorgan Chase Bank, National Association, London Branch, J.P. Morgan Securities LLC, Barclays Bank PLC, Barclays Capital Inc., Bank of America, N.A., BofA Securities, Inc., The Bank of New York Mellon, BNY Mellon Capital Markets, LLC, Morgan Stanley & Co. LLC, MUFG Securities EMEA plc, MUFG Securities Americas Inc., The Bank of Nova Scotia, Scotia Capital (USA) Inc., UBS AG, London Branch 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 6, 2019.                      |
| 10.32 | Form of Master Forward Sale Confirmation.  | Included as Exhibit 1.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on June 6, 2019.                      |
| 10.33 | 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. |
| 10.34 | 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. |
| 10.35 | 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. |

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|---------|--|--|
| 10.36   | 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.   |
| 23.2    | Consent of Ernst & Young LLP - ERP Operating Limited Partnership.  | Attached herein.   |
| 24      | Power of Attorney.   | See the signature page to this report.   |
| 31.1    | Equity Residential - Certification of Mark J. Parrell, Chief Executive Officer.  | Attached herein.   |
| 31.2    | Equity Residential - Certification of Robert A. Garechana, Chief Financial Officer.  | Attached herein.   |
| 31.3    | ERP Operating Limited Partnership - Certification of Mark J. Parrell, Chief Executive Officer of Registrant's General Partner.   | Attached herein.   |
| 31.4    | ERP Operating Limited Partnership - Certification of Robert A. Garechana, Chief Financial Officer of Registrant's General Partner.   | Attached herein.   |
| 32.1    | 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.                                     | Attached herein.   |
| 32.2    | 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.                                 | Attached herein.   |
| 32.3    | 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.     | Attached herein.   |
| 32.4    | 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. | Attached herein.   |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.   |  |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document.  |  |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document.  |  |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document.   |  |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document.  |  |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document.   |  |
| 104     | Cover Page Interactive Data File (embedded within the Inline XBRL document).   |  |

\*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.

## 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 20, 2020

### 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 20, 2020

**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 2019, 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:

| <u>Name</u>   | <u>Title</u>  | <u>Date</u>       |
|---|---|-------------------|
| <u>/s/ Mark J. Parrell</u><br>Mark J. Parrell         | President, Chief Executive Officer and Trustee<br>(Principal Executive Officer)       | February 20, 2020 |
| <u>/s/ Robert A. Garechana</u><br>Robert A. Garechana | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | February 20, 2020 |
| <u>/s/ Ian S. Kaufman</u><br>Ian S. Kaufman           | Senior Vice President and Chief Accounting Officer<br>(Principal Accounting Officer)  | February 20, 2020 |
| <u>/s/ Charles L. Atwood</u><br>Charles L. Atwood     | Trustee   | February 20, 2020 |
| <u>/s/ Raymond Bennett</u><br>Raymond Bennett         | Trustee   | February 20, 2020 |
| <u>/s/ Linda Walker Bynoe</u><br>Linda Walker Bynoe   | Trustee   | February 20, 2020 |
| <u>/s/ Connie K. Duckworth</u><br>Connie K. Duckworth | Trustee   | February 20, 2020 |
| <u>/s/ Mary Kay Haben</u><br>Mary Kay Haben           | Trustee   | February 20, 2020 |
| <u>/s/ T. Zia Huque</u><br>T. Zia Huque               | Trustee   | February 20, 2020 |
| <u>/s/ Bradley A. Keywell</u><br>Bradley A. Keywell   | Trustee   | February 20, 2020 |
| <u>/s/ John E. Neal</u><br>John E. Neal               | Trustee   | February 20, 2020 |
| <u>/s/ David J. Neithercut</u><br>David J. Neithercut | Trustee   | February 20, 2020 |
| <u>/s/ Mark S. Shapiro</u><br>Mark S. Shapiro         | Trustee   | February 20, 2020 |
| <u>/s/ Stephen E. Sterrett</u><br>Stephen E. Sterrett | Trustee   | February 20, 2020 |
| <u>/s/ Samuel Zell</u><br>Samuel Zell                 | Chairman of the Board of Trustees   | February 20, 2020 |

# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

## EQUITY RESIDENTIAL ERP OPERATING LIMITED PARTNERSHIP

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| Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (Equity Residential)                | F-5          |
| Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (ERP Operating Limited Partnership) | F-6          |
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| Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017  | F-13 to F-14 |
| Financial Statements of ERP Operating Limited Partnership:   |              |
| Consolidated Balance Sheets as of December 31, 2019 and 2018   | F-15         |
| Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2019, 2018 and 2017                      | F-16 to F-17 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017   | F-18 to F-20 |
| Consolidated Statements of Changes in Capital for the years ended December 31, 2019, 2018 and 2017                                       | F-21 to F-22 |
| Notes to Consolidated Financial Statements of Equity Residential and ERP Operating Limited Partnership                                   | F-23 to F-56 |
| <b>SCHEDULE FILED AS PART OF THIS REPORT</b>   |              |
| Schedule III – Real Estate and Accumulated Depreciation of Equity Residential and ERP Operating Limited Partnership                      | S-1 to S-12  |

*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.*

## **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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 20, 2020 expressed an unqualified opinion thereon.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases effective January 1, 2019.

### **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.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.



### ***Impairment of Long-Lived Assets***

#### ***Description of the Matter***

At December 31, 2019, the Company's net investment in real estate was approximately \$20.3 billion. As more fully described in Note 2 to the consolidated financial statements, the Company periodically evaluates its long-lived assets, including its investment in real estate, for impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, legal and environmental concerns, the Company's intent and ability to hold the related asset, as well as any significant cost overruns on development properties. If the expected future undiscounted cash flows are less than the carrying amount of the long-lived asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying amount.

Auditing the Company's process to evaluate long-lived assets for impairment was complex due to a high degree of subjectivity in determining whether indicators of impairment were present, and in determining the future undiscounted cash flows and estimated fair values, if necessary, of long-lived assets where impairment indicators were determined to be present. In particular, these estimates were sensitive to significant assumptions, including the estimation of future rental revenues, operating expenses and capitalization rates, which are affected by expectations about future market or economic conditions.

#### ***How We Addressed the Matter in Our Audit***

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's long-lived asset impairment evaluation and measurement process, including controls over management's determination and review of the significant assumptions used in the analyses and described above.

To test the Company's evaluation of long-lived assets for impairment, we performed audit procedures that included, among others, evaluating the indicators of impairment identified by management and testing the significant assumptions and completeness and accuracy of operating data used by the Company in its analyses. We compared the significant assumptions used by management to current market data and performed sensitivity analyses of certain significant assumptions as discussed above. We also involved our valuation specialist to assist in evaluating certain assumptions used, including future rental revenues and operating expenses, and capitalization rates.

/s/ ERNST & YOUNG LLP  
ERNST & YOUNG LLP

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

Chicago, Illinois  
February 20, 2020

## 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 20, 2020 expressed an unqualified opinion thereon.

### Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Operating Partnership changed its method of accounting for leases effective January 1, 2019.

### 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

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

Chicago, Illinois  
February 20, 2020

## 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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2020 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 20, 2020

## 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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2020 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

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Chicago, Illinois  
February 20, 2020

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

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Land   | \$ 5,936,188         | \$ 5,875,803         |
| Depreciable property   | 21,319,101           | 20,435,901           |
| Projects under development   | 181,630              | 109,409              |
| Land held for development  | 96,688               | 89,909               |
| Investment in real estate  | 27,533,607           | 26,511,022           |
| Accumulated depreciation   | (7,276,786)          | (6,696,281)          |
| Investment in real estate, net   | 20,256,821           | 19,814,741           |
| Investments in unconsolidated entities   | 52,238               | 58,349               |
| Cash and cash equivalents  | 45,753               | 47,442               |
| Restricted deposits  | 71,246               | 68,871               |
| Right-of-use assets  | 512,774              | —                    |
| Other assets   | 233,937              | 404,806              |
| <b>Total assets</b>  | <b>\$ 21,172,769</b> | <b>\$ 20,394,209</b> |
| <b>LIABILITIES AND EQUITY</b>  |                      |                      |
| Liabilities:   |                      |                      |
| Mortgage notes payable, net  | \$ 1,941,610         | \$ 2,385,470         |
| Notes, net   | 6,077,513            | 5,933,286            |
| Line of credit and commercial paper  | 1,017,833            | 499,183              |
| Accounts payable and accrued expenses  | 94,350               | 102,471              |
| Accrued interest payable   | 66,852               | 62,622               |
| Lease liabilities  | 331,334              | —                    |
| Other liabilities  | 346,963              | 358,563              |
| Security deposits  | 70,062               | 67,258               |
| Distributions payable  | 218,326              | 206,601              |
| <b>Total liabilities</b>   | <b>10,164,843</b>    | <b>9,615,454</b>     |
| <i>Commitments and contingencies</i>   |                      |                      |
| <b>Redeemable Noncontrolling Interests – Operating Partnership</b>   | <b>463,400</b>       | <b>379,106</b>       |
| 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, 2019 and December 31, 2018  | 37,280               | 37,280               |
| Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 371,670,884 shares issued and outstanding as of December 31, 2019 and 369,405,161 shares issued and outstanding as of December 31, 2018 | 3,717                | 3,694                |
| Paid in capital  | 8,965,577            | 8,935,453            |
| Retained earnings  | 1,386,495            | 1,261,763            |
| Accumulated other comprehensive income (loss)  | (77,563)             | (64,986)             |
| Total shareholders' equity   | 10,315,506           | 10,173,204           |
| Noncontrolling Interests:  |                      |                      |
| Operating Partnership  | 227,837              | 228,738              |
| Partially Owned Properties   | 1,183                | (2,293)              |
| Total Noncontrolling Interests   | 229,020              | 226,445              |
| <b>Total equity</b>  | <b>10,544,526</b>    | <b>10,399,649</b>    |
| <b>Total liabilities and equity</b>  | <b>\$ 21,172,769</b> | <b>\$ 20,394,209</b> |

See accompanying notes

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

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>REVENUES</b>  |                         |                   |                   |
| Rental income  | \$ 2,700,691            | \$ 2,577,681      | \$ 2,470,689      |
| Fee and asset management   | 384                     | 753               | 717               |
| Total revenues   | 2,701,075               | 2,578,434         | 2,471,406         |
| <b>EXPENSES</b>  |                         |                   |                   |
| Property and maintenance   | 446,845                 | 429,335           | 405,281           |
| Real estate taxes and insurance  | 366,139                 | 357,814           | 335,495           |
| Property management  | 95,344                  | 92,485            | 85,493            |
| General and administrative   | 52,757                  | 53,813            | 52,224            |
| Depreciation   | 831,083                 | 785,725           | 743,749           |
| Total expenses   | 1,792,168               | 1,719,172         | 1,622,242         |
| Net gain (loss) on sales of real estate properties   | 447,637                 | 256,810           | 157,057           |
| Impairment   | —                       | (702)             | (1,693)           |
| Operating income   | 1,356,544               | 1,115,370         | 1,004,528         |
| Interest and other income  | 2,817                   | 15,317            | 6,136             |
| Other expenses   | (18,177)                | (17,267)          | (5,186)           |
| Interest:  |                         |                   |                   |
| Expense incurred, net  | (390,076)               | (413,360)         | (383,890)         |
| Amortization of deferred financing costs   | (11,670)                | (11,310)          | (8,526)           |
| Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels | 939,438                 | 688,750           | 613,062           |
| Income and other tax (expense) benefit   | 2,281                   | (878)             | (478)             |
| Income (loss) from investments in unconsolidated entities  | 65,945                  | (3,667)           | (3,370)           |
| Net gain (loss) on sales of land parcels   | 2,044                   | 987               | 19,167            |
| Net income   | 1,009,708               | 685,192           | 628,381           |
| Net (income) loss attributable to Noncontrolling Interests:  |                         |                   |                   |
| Operating Partnership  | (36,034)                | (24,939)          | (22,604)          |
| Partially Owned Properties   | (3,297)                 | (2,718)           | (2,323)           |
| Net income attributable to controlling interests   | 970,377                 | 657,535           | 603,454           |
| Preferred distributions  | (3,090)                 | (3,090)           | (3,091)           |
| Net income available to Common Shares  | <u>\$ 967,287</u>       | <u>\$ 654,445</u> | <u>\$ 600,363</u> |
| <b>Earnings per share – basic:</b>   |                         |                   |                   |
| Net income available to Common Shares  | <u>\$ 2.61</u>          | <u>\$ 1.78</u>    | <u>\$ 1.64</u>    |
| Weighted average Common Shares outstanding   | <u>370,461</u>          | <u>368,052</u>    | <u>366,968</u>    |
| <b>Earnings per share – diluted:</b>   |                         |                   |                   |
| Net income available to Common Shares  | <u>\$ 2.60</u>          | <u>\$ 1.77</u>    | <u>\$ 1.63</u>    |
| Weighted average Common Shares outstanding   | <u>386,333</u>          | <u>383,695</u>    | <u>382,678</u>    |

See accompanying notes

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

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2019                    | 2018              | 2017              |
| Comprehensive income:   |                         |                   |                   |
| Net income  | \$ 1,009,708            | \$ 685,192        | \$ 628,381        |
| Other comprehensive income (loss):                                |                         |                   |                   |
| Other comprehensive income (loss) – derivative instruments:       |                         |                   |                   |
| Unrealized holding gains (losses) arising during the year         | (33,765)                | 5,174             | 6,439             |
| Losses reclassified into earnings from other comprehensive income | 21,188                  | 18,452            | 18,858            |
| Other comprehensive income (loss)                                 | (12,577)                | 23,626            | 25,297            |
| Comprehensive income  | 997,131                 | 708,818           | 653,678           |
| Comprehensive (income) attributable to Noncontrolling Interests   | (38,872)                | (28,526)          | (25,845)          |
| Comprehensive income attributable to controlling interests        | <u>\$ 958,259</u>       | <u>\$ 680,292</u> | <u>\$ 627,833</u> |

See accompanying notes



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

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2019                    | 2018             | 2017             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |                  |                  |
| Net income   | \$ 1,009,708            | \$ 685,192       | \$ 628,381       |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> |                         |                  |                  |
| Depreciation   | 831,083                 | 785,725          | 743,749          |
| Amortization of deferred financing costs   | 11,670                  | 11,310           | 8,526            |
| Amortization of above/below market lease intangibles                                     | (71)                    | 4,392            | 3,828            |
| Amortization of discounts and premiums on debt   | 11,780                  | 22,781           | 3,536            |
| Amortization of deferred settlements on derivative instruments                           | 21,176                  | 18,440           | 18,847           |
| Amortization of right-of-use assets  | 11,764                  | —                | —                |
| Impairment   | —                       | 702              | 1,693            |
| Write-off of pursuit costs   | 5,529                   | 4,450            | 3,106            |
| (Income) loss from investments in unconsolidated entities                                | (65,945)                | 3,667            | 3,370            |
| Distributions from unconsolidated entities – return on capital                           | 2,621                   | 2,492            | 2,632            |
| Net (gain) loss on sales of real estate properties                                       | (447,637)               | (256,810)        | (157,057)        |
| Net (gain) loss on sales of land parcels   | (2,044)                 | (987)            | (19,167)         |
| Net (gain) loss on debt extinguishment   | 13,647                  | 22,110           | 12,258           |
| Realized/unrealized (gain) loss on derivative instruments                                | —                       | 50               | —                |
| Compensation paid with Company Common Shares   | 24,449                  | 27,132           | 24,997           |
| Other operating activities, net  | (287)                   | —                | —                |
| <i>Changes in assets and liabilities:</i>  |                         |                  |                  |
| (Increase) decrease in other assets  | 6,278                   | 4,097            | (449)            |
| Increase (decrease) in accounts payable and accrued expenses                             | 5,116                   | (1,862)          | 11,532           |
| Increase (decrease) in accrued interest payable  | 4,230                   | 4,587            | (2,911)          |
| Increase (decrease) in lease liabilities   | (2,269)                 | —                | —                |
| Increase (decrease) in other liabilities   | 13,382                  | 16,578           | (23,468)         |
| Increase (decrease) in security deposits   | 2,804                   | 2,249            | 2,385            |
| Net cash provided by operating activities  | <u>1,456,984</u>        | <u>1,356,295</u> | <u>1,265,788</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |                  |                  |
| Investment in real estate – acquisitions   | (1,518,878)             | (708,092)        | (466,394)        |
| Investment in real estate – development/other  | (195,692)               | (154,431)        | (276,382)        |
| Capital expenditures to real estate  | (178,423)               | (188,501)        | (202,607)        |
| Non-real estate capital additions  | (4,955)                 | (4,505)          | (1,506)          |
| Interest capitalized for real estate under development                                   | (6,884)                 | (6,260)          | (26,290)         |
| Proceeds from disposition of real estate, net  | 1,064,619               | 691,526          | 384,583          |
| Investments in unconsolidated entities   | (9,604)                 | (6,571)          | (6,034)          |
| Distributions from unconsolidated entities – return of capital                           | 78,262                  | —                | 334              |
| Purchase of investment securities and other investments                                  | (269)                   | —                | —                |
| Net cash provided by (used for) investing activities                                     | <u>(771,824)</u>        | <u>(376,834)</u> | <u>(594,296)</u> |

See accompanying notes

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

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                 |                         |                   |                   |
| Debt financing costs   | \$ (19,812)             | \$ (8,583)        | \$ (6,289)        |
| <i>Mortgage notes payable, net:</i>  |                         |                   |                   |
| Proceeds   | 295,771                 | 96,935            | —                 |
| Lump sum payoffs   | (743,021)               | (1,347,939)       | (493,420)         |
| Scheduled principal repayments   | (6,808)                 | (6,629)           | (10,704)          |
| Net gain (loss) on debt extinguishment                                       | (3,381)                 | (22,110)          | (12,258)          |
| <i>Notes, net:</i>   |                         |                   |                   |
| Proceeds   | 1,194,468               | 896,294           | 692,466           |
| Lump sum payoffs   | (1,050,000)             | —                 | (497,975)         |
| Net gain (loss) on debt extinguishment                                       | (10,266)                | —                 | —                 |
| <i>Line of credit and commercial paper:</i>                                  |                         |                   |                   |
| Line of credit proceeds  | 6,010,000               | 3,805,000         | 1,845,000         |
| Line of credit repayments  | (5,990,000)             | (3,805,000)       | (1,845,000)       |
| Commercial paper proceeds  | 15,944,800              | 14,030,926        | 5,066,509         |
| Commercial paper repayments  | (15,446,150)            | (13,831,500)      | (4,786,750)       |
| Proceeds from (payments on) settlement of derivative instruments             | (41,616)                | 18,118            | 1,295             |
| Prepaid finance ground lease   | (34,734)                | —                 | —                 |
| Proceeds from Employee Share Purchase Plan (ESPP)                            | 3,116                   | 3,879             | 3,744             |
| Proceeds from exercise of options  | 77,785                  | 30,655            | 31,596            |
| Payment of offering costs  | (991)                   | (27)              | (51)              |
| Other financing activities, net  | (80)                    | (78)              | (63)              |
| Acquisition of Noncontrolling Interests – Partially Owned Properties         | —                       | (13)              | —                 |
| Contributions – Noncontrolling Interests – Partially Owned Properties        | 7,337                   | 125               | 125               |
| Contributions – Noncontrolling Interests – Operating Partnership             | 2                       | 1                 | —                 |
| <i>Distributions:</i>  |                         |                   |                   |
| Common Shares  | (831,111)               | (782,122)         | (739,375)         |
| Preferred Shares   | (3,090)                 | (3,863)           | (3,091)           |
| Noncontrolling Interests – Operating Partnership                             | (29,615)                | (28,226)          | (27,291)          |
| Noncontrolling Interests – Partially Owned Properties                        | (7,078)                 | (9,753)           | (8,286)           |
| Net cash provided by (used for) financing activities                         | (684,474)               | (963,910)         | (789,818)         |
| Net increase (decrease) in cash and cash equivalents and restricted deposits | 686                     | 15,551            | (118,326)         |
| Cash and cash equivalents and restricted deposits, beginning of year         | 116,313                 | 100,762           | 219,088           |
| Cash and cash equivalents and restricted deposits, end of year               | <u>\$ 116,999</u>       | <u>\$ 116,313</u> | <u>\$ 100,762</u> |
| Cash and cash equivalents and restricted deposits, end of year               |                         |                   |                   |
| Cash and cash equivalents  | \$ 45,753               | \$ 47,442         | \$ 50,647         |
| Restricted deposits  | 71,246                  | 68,871            | 50,115            |
| Total cash and cash equivalents and restricted deposits, end of year         | <u>\$ 116,999</u>       | <u>\$ 116,313</u> | <u>\$ 100,762</u> |

See accompanying notes

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

|   | Year Ended December 31, |             |            |
|---|-------------------------|-------------|------------|
|   | 2019                    | 2018        | 2017       |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                         |             |            |
| Cash paid for interest, net of amounts capitalized  | \$ 342,048              | \$ 358,156  | \$ 360,273 |
| Net cash paid (received) for income and other taxes   | \$ (585)                | \$ 853      | \$ 640     |
| <i>Amortization of deferred financing costs:</i>  |                         |             |            |
| Investment in real estate, net  | \$ (120)                | \$ —        | \$ —       |
| Other assets  | \$ 2,987                | \$ 2,412    | \$ 2,412   |
| Mortgage notes payable, net   | \$ 3,934                | \$ 4,792    | \$ 2,493   |
| Notes, net  | \$ 4,869                | \$ 4,106    | \$ 3,621   |
| <i>Amortization of discounts and premiums on debt:</i>                                      |                         |             |            |
| Mortgage notes payable, net   | \$ 8,618                | \$ 20,144   | \$ 1,172   |
| Notes, net  | \$ 3,162                | \$ 2,637    | \$ 2,364   |
| <i>Amortization of deferred settlements on derivative instruments:</i>                      |                         |             |            |
| Other liabilities   | \$ (12)                 | \$ (12)     | \$ (11)    |
| Accumulated other comprehensive income  | \$ 21,188               | \$ 18,452   | \$ 18,858  |
| <i>Write-off of pursuit costs:</i>  |                         |             |            |
| Investment in real estate, net  | \$ 5,451                | \$ 4,364    | \$ 2,965   |
| Other assets  | \$ 62                   | \$ 53       | \$ 17      |
| Accounts payable and accrued expenses   | \$ 16                   | \$ 33       | \$ 124     |
| <i>(Income) loss from investments in unconsolidated entities:</i>                           |                         |             |            |
| Investments in unconsolidated entities  | \$ (67,268)             | \$ 2,304    | \$ 1,955   |
| Other liabilities   | \$ 1,323                | \$ 1,363    | \$ 1,415   |
| <i>Realized/unrealized (gain) loss on derivative instruments:</i>                           |                         |             |            |
| Other assets  | \$ 2,002                | \$ (14,977) | \$ (4,582) |
| Notes, net  | \$ 2,277                | \$ (680)    | \$ (3,454) |
| Other liabilities   | \$ 29,486               | \$ 10,533   | \$ 1,597   |
| Accumulated other comprehensive income  | \$ (33,765)             | \$ 5,174    | \$ 6,439   |
| <i>Investments in unconsolidated entities:</i>  |                         |             |            |
| Investments in unconsolidated entities  | \$ (7,504)              | \$ (4,891)  | \$ (3,034) |
| Other liabilities   | \$ (2,100)              | \$ (1,680)  | \$ (3,000) |
| <i>Debt financing costs:</i>  |                         |             |            |
| Other assets  | \$ (6,909)              | \$ (145)    | \$ —       |
| Mortgage notes payable, net   | \$ (2,354)              | \$ (555)    | \$ —       |
| Notes, net  | \$ (10,549)             | \$ (7,883)  | \$ (6,289) |
| <i>Right-of-use assets and lease liabilities initial measurement and reclassifications:</i> |                         |             |            |
| Right-of-use assets   | \$ (489,517)            | \$ —        | \$ —       |
| Other assets  | \$ 184,116              | \$ —        | \$ —       |
| Lease liabilities   | \$ 333,603              | \$ —        | \$ —       |
| Other liabilities   | \$ (28,202)             | \$ —        | \$ —       |
| <i>Proceeds from (payments on) settlement of derivative instruments:</i>                    |                         |             |            |
| Other assets  | \$ —                    | \$ 18,118   | \$ 1,295   |
| Other liabilities   | \$ (41,616)             | \$ —        | \$ —       |

See accompanying notes

**EQUITY RESIDENTIAL**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in thousands)

|   | Year Ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2019                    | 2018                | 2017                |
| <b>SHAREHOLDERS' EQUITY</b>   |                         |                     |                     |
| <b>PREFERRED SHARES</b>   |                         |                     |                     |
| Balance, beginning of year  | \$ 37,280               | \$ 37,280           | \$ 37,280           |
| Balance, end of year  | <u>\$ 37,280</u>        | <u>\$ 37,280</u>    | <u>\$ 37,280</u>    |
| <b>COMMON SHARES, \$0.01 PAR VALUE</b>  |                         |                     |                     |
| Balance, beginning of year  | \$ 3,694                | \$ 3,680            | \$ 3,659            |
| Conversion of OP Units into Common Shares   | 3                       | 1                   | 11                  |
| Exercise of share options   | 17                      | 11                  | 8                   |
| Employee Share Purchase Plan (ESPP)   | 1                       | 1                   | 1                   |
| Share-based employee compensation expense:  |                         |                     |                     |
| Restricted shares   | 2                       | 1                   | 1                   |
| Balance, end of year  | <u>\$ 3,717</u>         | <u>\$ 3,694</u>     | <u>\$ 3,680</u>     |
| <b>PAID IN CAPITAL</b>  |                         |                     |                     |
| Balance, beginning of year  | \$ 8,935,453            | \$ 8,886,586        | \$ 8,758,422        |
| Common Share Issuance:  |                         |                     |                     |
| Conversion of OP Units into Common Shares   | 10,407                  | 4,097               | 15,889              |
| Exercise of share options   | 77,768                  | 30,644              | 31,588              |
| Employee Share Purchase Plan (ESPP)   | 3,115                   | 3,878               | 3,743               |
| Share-based employee compensation expense:  |                         |                     |                     |
| Restricted shares   | 12,436                  | 8,257               | 9,776               |
| Share options   | 2,675                   | 9,734               | 6,835               |
| ESPP discount   | 642                     | 767                 | 747                 |
| Offering costs  | (991)                   | (27)                | (51)                |
| Supplemental Executive Retirement Plan (SERP)   | (1,675)                 | (454)               | (594)               |
| Change in market value of Redeemable Noncontrolling Interests – Operating Partnership | (82,283)                | (13,922)            | 41,916              |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership            | 8,030                   | 5,893               | 18,315              |
| Balance, end of year  | <u>\$ 8,965,577</u>     | <u>\$ 8,935,453</u> | <u>\$ 8,886,586</u> |
| <b>RETAINED EARNINGS</b>  |                         |                     |                     |
| Balance, beginning of year  | \$ 1,261,763            | \$ 1,403,530        | \$ 1,543,626        |
| Net income attributable to controlling interests                                      | 970,377                 | 657,535             | 603,454             |
| Common Share distributions  | (842,555)               | (796,212)           | (740,459)           |
| Preferred Share distributions   | (3,090)                 | (3,090)             | (3,091)             |
| Balance, end of year  | <u>\$ 1,386,495</u>     | <u>\$ 1,261,763</u> | <u>\$ 1,403,530</u> |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>                                  |                         |                     |                     |
| Balance, beginning of year  | \$ (64,986)             | \$ (88,612)         | \$ (113,909)        |
| Accumulated other comprehensive income (loss) – derivative instruments:               |                         |                     |                     |
| Unrealized holding gains (losses) arising during the year                             | (33,765)                | 5,174               | 6,439               |
| Losses reclassified into earnings from other comprehensive income                     | 21,188                  | 18,452              | 18,858              |
| Balance, end of year  | <u>\$ (77,563)</u>      | <u>\$ (64,986)</u>  | <u>\$ (88,612)</u>  |
| <b>DISTRIBUTIONS</b>  |                         |                     |                     |
| Distributions declared per Common Share outstanding                                   | <u>\$ 2.27</u>          | <u>\$ 2.16</u>      | <u>\$ 2.015</u>     |

See accompanying notes

**EQUITY RESIDENTIAL**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**  
(Amounts in thousands)

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2019                    | 2018              | 2017              |
| <b>NONCONTROLLING INTERESTS</b>   |                         |                   |                   |
| <b>OPERATING PARTNERSHIP</b>  |                         |                   |                   |
| Balance, beginning of year  | \$ 228,738              | \$ 226,691        | \$ 221,297        |
| Issuance of restricted units to Noncontrolling Interests                                      | 2                       | 1                 | —                 |
| Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner | (10,410)                | (4,098)           | (15,900)          |
| Equity compensation associated with Noncontrolling Interests                                  | 13,410                  | 14,009            | 10,523            |
| Net income attributable to Noncontrolling Interests   | 36,034                  | 24,939            | 22,604            |
| Distributions to Noncontrolling Interests   | (29,896)                | (28,682)          | (26,739)          |
| Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership       | (2,011)                 | 1,771             | 33,221            |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership                    | (8,030)                 | (5,893)           | (18,315)          |
| Balance, end of year  | <u>\$ 227,837</u>       | <u>\$ 228,738</u> | <u>\$ 226,691</u> |
| <b>PARTIALLY OWNED PROPERTIES</b>   |                         |                   |                   |
| Balance, beginning of year  | \$ (2,293)              | \$ 4,708          | \$ 10,609         |
| Net income attributable to Noncontrolling Interests   | 3,297                   | 2,718             | 2,323             |
| Acquisitions of Noncontrolling Interests – Partially Owned Properties                         | —                       | (13)              | —                 |
| Contributions by Noncontrolling Interests   | 7,337                   | 125               | 125               |
| Distributions to Noncontrolling Interests   | (7,158)                 | (9,831)           | (8,349)           |
| Balance, end of year  | <u>\$ 1,183</u>         | <u>\$ (2,293)</u> | <u>\$ 4,708</u>   |

See accompanying notes

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

|   | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Land  | \$ 5,936,188         | \$ 5,875,803         |
| Depreciable property                                  | 21,319,101           | 20,435,901           |
| Projects under development                            | 181,630              | 109,409              |
| Land held for development                             | 96,688               | 89,909               |
| Investment in real estate                             | 27,533,607           | 26,511,022           |
| Accumulated depreciation                              | (7,276,786)          | (6,696,281)          |
| Investment in real estate, net                        | 20,256,821           | 19,814,741           |
| Investments in unconsolidated entities                | 52,238               | 58,349               |
| Cash and cash equivalents                             | 45,753               | 47,442               |
| Restricted deposits                                   | 71,246               | 68,871               |
| Right-of-use assets                                   | 512,774              | —                    |
| Other assets  | 233,937              | 404,806              |
| <b>Total assets</b>                                   | <b>\$ 21,172,769</b> | <b>\$ 20,394,209</b> |
| <b>LIABILITIES AND CAPITAL</b>                        |                      |                      |
| Liabilities:  |                      |                      |
| Mortgage notes payable, net                           | \$ 1,941,610         | \$ 2,385,470         |
| Notes, net  | 6,077,513            | 5,933,286            |
| Line of credit and commercial paper                   | 1,017,833            | 499,183              |
| Accounts payable and accrued expenses                 | 94,350               | 102,471              |
| Accrued interest payable                              | 66,852               | 62,622               |
| Lease liabilities                                     | 331,334              | —                    |
| Other liabilities                                     | 346,963              | 358,563              |
| Security deposits                                     | 70,062               | 67,258               |
| Distributions payable                                 | 218,326              | 206,601              |
| <b>Total liabilities</b>                              | <b>10,164,843</b>    | <b>9,615,454</b>     |
| <i>Commitments and contingencies</i>                  |                      |                      |
| <b>Redeemable Limited Partners</b>                    | <b>463,400</b>       | <b>379,106</b>       |
| Capital:  |                      |                      |
| Partners' Capital:                                    |                      |                      |
| Preference Units                                      | 37,280               | 37,280               |
| General Partner                                       | 10,355,789           | 10,200,910           |
| Limited Partners                                      | 227,837              | 228,738              |
| Accumulated other comprehensive income (loss)         | (77,563)             | (64,986)             |
| Total partners' capital                               | 10,543,343           | 10,401,942           |
| Noncontrolling Interests – Partially Owned Properties | 1,183                | (2,293)              |
| <b>Total capital</b>                                  | <b>10,544,526</b>    | <b>10,399,649</b>    |
| <b>Total liabilities and capital</b>                  | <b>\$ 21,172,769</b> | <b>\$ 20,394,209</b> |

See accompanying notes

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

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>REVENUES</b>  |                         |                   |                   |
| Rental income  | \$ 2,700,691            | \$ 2,577,681      | \$ 2,470,689      |
| Fee and asset management   | 384                     | 753               | 717               |
| Total revenues   | <u>2,701,075</u>        | <u>2,578,434</u>  | <u>2,471,406</u>  |
| <b>EXPENSES</b>  |                         |                   |                   |
| Property and maintenance   | 446,845                 | 429,335           | 405,281           |
| Real estate taxes and insurance  | 366,139                 | 357,814           | 335,495           |
| Property management  | 95,344                  | 92,485            | 85,493            |
| General and administrative   | 52,757                  | 53,813            | 52,224            |
| Depreciation   | 831,083                 | 785,725           | 743,749           |
| Total expenses   | <u>1,792,168</u>        | <u>1,719,172</u>  | <u>1,622,242</u>  |
| Net gain (loss) on sales of real estate properties   | 447,637                 | 256,810           | 157,057           |
| Impairment   | <u>—</u>                | <u>(702)</u>      | <u>(1,693)</u>    |
| Operating income   | 1,356,544               | 1,115,370         | 1,004,528         |
| Interest and other income  | 2,817                   | 15,317            | 6,136             |
| Other expenses   | (18,177)                | (17,267)          | (5,186)           |
| Interest:  |                         |                   |                   |
| Expense incurred, net  | (390,076)               | (413,360)         | (383,890)         |
| Amortization of deferred financing costs   | <u>(11,670)</u>         | <u>(11,310)</u>   | <u>(8,526)</u>    |
| Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels | 939,438                 | 688,750           | 613,062           |
| Income and other tax (expense) benefit   | 2,281                   | (878)             | (478)             |
| Income (loss) from investments in unconsolidated entities  | 65,945                  | (3,667)           | (3,370)           |
| Net gain (loss) on sales of land parcels   | <u>2,044</u>            | <u>987</u>        | <u>19,167</u>     |
| Net income   | 1,009,708               | 685,192           | 628,381           |
| Net (income) loss attributable to Noncontrolling Interests - Partially Owned Properties  | <u>(3,297)</u>          | <u>(2,718)</u>    | <u>(2,323)</u>    |
| Net income attributable to controlling interests   | <u>\$ 1,006,411</u>     | <u>\$ 682,474</u> | <u>\$ 626,058</u> |
| <b>ALLOCATION OF NET INCOME:</b>   |                         |                   |                   |
| Preference Units   | <u>\$ 3,090</u>         | <u>\$ 3,090</u>   | <u>\$ 3,091</u>   |
| General Partner  | \$ 967,287              | \$ 654,445        | \$ 600,363        |
| Limited Partners   | <u>36,034</u>           | <u>24,939</u>     | <u>22,604</u>     |
| Net income available to Units  | <u>\$ 1,003,321</u>     | <u>\$ 679,384</u> | <u>\$ 622,967</u> |
| <b>Earnings per Unit – basic:</b>  |                         |                   |                   |
| Net income available to Units  | <u>\$ 2.61</u>          | <u>\$ 1.78</u>    | <u>\$ 1.64</u>    |
| Weighted average Units outstanding   | <u>383,368</u>          | <u>380,921</u>    | <u>379,869</u>    |
| <b>Earnings per Unit – diluted:</b>  |                         |                   |                   |
| Net income available to Units  | <u>\$ 2.60</u>          | <u>\$ 1.77</u>    | <u>\$ 1.63</u>    |
| Weighted average Units outstanding   | <u>386,333</u>          | <u>383,695</u>    | <u>382,678</u>    |

See accompanying notes



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

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| Comprehensive income:  |                         |                   |                   |
| Net income   | \$ 1,009,708            | \$ 685,192        | \$ 628,381        |
| Other comprehensive income (loss):   |                         |                   |                   |
| Other comprehensive income (loss) – derivative instruments:                                  |                         |                   |                   |
| Unrealized holding gains (losses) arising during the year                                    | (33,765)                | 5,174             | 6,439             |
| Losses reclassified into earnings from other comprehensive income                            | 21,188                  | 18,452            | 18,858            |
| Other comprehensive income (loss)  | (12,577)                | 23,626            | 25,297            |
| Comprehensive income   | 997,131                 | 708,818           | 653,678           |
| Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties | (3,297)                 | (2,718)           | (2,323)           |
| Comprehensive income attributable to controlling interests                                   | <u>\$ 993,834</u>       | <u>\$ 706,100</u> | <u>\$ 651,355</u> |

See accompanying notes

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

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2019                    | 2018             | 2017             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |                  |                  |
| Net income   | \$ 1,009,708            | \$ 685,192       | \$ 628,381       |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> |                         |                  |                  |
| Depreciation   | 831,083                 | 785,725          | 743,749          |
| Amortization of deferred financing costs   | 11,670                  | 11,310           | 8,526            |
| Amortization of above/below market lease intangibles                                     | (71)                    | 4,392            | 3,828            |
| Amortization of discounts and premiums on debt   | 11,780                  | 22,781           | 3,536            |
| Amortization of deferred settlements on derivative instruments                           | 21,176                  | 18,440           | 18,847           |
| Amortization of right-of-use assets  | 11,764                  | —                | —                |
| Impairment   | —                       | 702              | 1,693            |
| Write-off of pursuit costs   | 5,529                   | 4,450            | 3,106            |
| (Income) loss from investments in unconsolidated entities                                | (65,945)                | 3,667            | 3,370            |
| Distributions from unconsolidated entities – return on capital                           | 2,621                   | 2,492            | 2,632            |
| Net (gain) loss on sales of real estate properties                                       | (447,637)               | (256,810)        | (157,057)        |
| Net (gain) loss on sales of land parcels   | (2,044)                 | (987)            | (19,167)         |
| Net (gain) loss on debt extinguishment   | 13,647                  | 22,110           | 12,258           |
| Realized/unrealized (gain) loss on derivative instruments                                | —                       | 50               | —                |
| Compensation paid with Company Common Shares   | 24,449                  | 27,132           | 24,997           |
| Other operating activities, net  | (287)                   | —                | —                |
| <i>Changes in assets and liabilities:</i>  |                         |                  |                  |
| (Increase) decrease in other assets  | 6,278                   | 4,097            | (449)            |
| Increase (decrease) in accounts payable and accrued expenses                             | 5,116                   | (1,862)          | 11,532           |
| Increase (decrease) in accrued interest payable  | 4,230                   | 4,587            | (2,911)          |
| Increase (decrease) in lease liabilities   | (2,269)                 | —                | —                |
| Increase (decrease) in other liabilities   | 13,382                  | 16,578           | (23,468)         |
| Increase (decrease) in security deposits   | 2,804                   | 2,249            | 2,385            |
| Net cash provided by operating activities  | <u>1,456,984</u>        | <u>1,356,295</u> | <u>1,265,788</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |                  |                  |
| Investment in real estate – acquisitions   | (1,518,878)             | (708,092)        | (466,394)        |
| Investment in real estate – development/other  | (195,692)               | (154,431)        | (276,382)        |
| Capital expenditures to real estate  | (178,423)               | (188,501)        | (202,607)        |
| Non-real estate capital additions  | (4,955)                 | (4,505)          | (1,506)          |
| Interest capitalized for real estate under development                                   | (6,884)                 | (6,260)          | (26,290)         |
| Proceeds from disposition of real estate, net  | 1,064,619               | 691,526          | 384,583          |
| Investments in unconsolidated entities   | (9,604)                 | (6,571)          | (6,034)          |
| Distributions from unconsolidated entities – return of capital                           | 78,262                  | —                | 334              |
| Purchase of investment securities and other investments                                  | (269)                   | —                | —                |
| Net cash provided by (used for) investing activities                                     | <u>(771,824)</u>        | <u>(376,834)</u> | <u>(594,296)</u> |

See accompanying notes

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

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                 |                         |                   |                   |
| Debt financing costs   | \$ (19,812)             | \$ (8,583)        | \$ (6,289)        |
| <i>Mortgage notes payable, net:</i>  |                         |                   |                   |
| Proceeds   | 295,771                 | 96,935            | —                 |
| Lump sum payoffs   | (743,021)               | (1,347,939)       | (493,420)         |
| Scheduled principal repayments   | (6,808)                 | (6,629)           | (10,704)          |
| Net gain (loss) on debt extinguishment                                       | (3,381)                 | (22,110)          | (12,258)          |
| <i>Notes, net:</i>   |                         |                   |                   |
| Proceeds   | 1,194,468               | 896,294           | 692,466           |
| Lump sum payoffs   | (1,050,000)             | —                 | (497,975)         |
| Net gain (loss) on debt extinguishment                                       | (10,266)                | —                 | —                 |
| <i>Line of credit and commercial paper:</i>                                  |                         |                   |                   |
| Line of credit proceeds  | 6,010,000               | 3,805,000         | 1,845,000         |
| Line of credit repayments  | (5,990,000)             | (3,805,000)       | (1,845,000)       |
| Commercial paper proceeds  | 15,944,800              | 14,030,926        | 5,066,509         |
| Commercial paper repayments  | (15,446,150)            | (13,831,500)      | (4,786,750)       |
| Proceeds from (payments on) settlement of derivative instruments             | (41,616)                | 18,118            | 1,295             |
| Prepaid finance ground lease   | (34,734)                | —                 | —                 |
| Proceeds from EQR's Employee Share Purchase Plan (ESPP)                      | 3,116                   | 3,879             | 3,744             |
| Proceeds from exercise of EQR options  | 77,785                  | 30,655            | 31,596            |
| Payment of offering costs  | (991)                   | (27)              | (51)              |
| Other financing activities, net  | (80)                    | (78)              | (63)              |
| Acquisition of Noncontrolling Interests – Partially Owned Properties         | —                       | (13)              | —                 |
| Contributions – Noncontrolling Interests – Partially Owned Properties        | 7,337                   | 125               | 125               |
| Contributions – Limited Partners   | 2                       | 1                 | —                 |
| <i>Distributions:</i>  |                         |                   |                   |
| OP Units – General Partner   | (831,111)               | (782,122)         | (739,375)         |
| Preference Units   | (3,090)                 | (3,863)           | (3,091)           |
| OP Units – Limited Partners  | (29,615)                | (28,226)          | (27,291)          |
| Noncontrolling Interests – Partially Owned Properties                        | (7,078)                 | (9,753)           | (8,286)           |
| Net cash provided by (used for) financing activities                         | (684,474)               | (963,910)         | (789,818)         |
| Net increase (decrease) in cash and cash equivalents and restricted deposits | 686                     | 15,551            | (118,326)         |
| Cash and cash equivalents and restricted deposits, beginning of year         | 116,313                 | 100,762           | 219,088           |
| Cash and cash equivalents and restricted deposits, end of year               | <u>\$ 116,999</u>       | <u>\$ 116,313</u> | <u>\$ 100,762</u> |
| Cash and cash equivalents and restricted deposits, end of year               |                         |                   |                   |
| Cash and cash equivalents  | \$ 45,753               | \$ 47,442         | \$ 50,647         |
| Restricted deposits  | 71,246                  | 68,871            | 50,115            |
| Total cash and cash equivalents and restricted deposits, end of year         | <u>\$ 116,999</u>       | <u>\$ 116,313</u> | <u>\$ 100,762</u> |

See accompanying notes

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

|   | Year Ended December 31, |             |            |
|---|-------------------------|-------------|------------|
|   | 2019                    | 2018        | 2017       |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                         |             |            |
| Cash paid for interest, net of amounts capitalized  | \$ 342,048              | \$ 358,156  | \$ 360,273 |
| Net cash paid (received) for income and other taxes   | \$ (585)                | \$ 853      | \$ 640     |
| <i>Amortization of deferred financing costs:</i>  |                         |             |            |
| Investment in real estate, net  | \$ (120)                | \$ —        | \$ —       |
| Other assets  | \$ 2,987                | \$ 2,412    | \$ 2,412   |
| Mortgage notes payable, net   | \$ 3,934                | \$ 4,792    | \$ 2,493   |
| Notes, net  | \$ 4,869                | \$ 4,106    | \$ 3,621   |
| <i>Amortization of discounts and premiums on debt:</i>                                      |                         |             |            |
| Mortgage notes payable, net   | \$ 8,618                | \$ 20,144   | \$ 1,172   |
| Notes, net  | \$ 3,162                | \$ 2,637    | \$ 2,364   |
| <i>Amortization of deferred settlements on derivative instruments:</i>                      |                         |             |            |
| Other liabilities   | \$ (12)                 | \$ (12)     | \$ (11)    |
| Accumulated other comprehensive income  | \$ 21,188               | \$ 18,452   | \$ 18,858  |
| <i>Write-off of pursuit costs:</i>  |                         |             |            |
| Investment in real estate, net  | \$ 5,451                | \$ 4,364    | \$ 2,965   |
| Other assets  | \$ 62                   | \$ 53       | \$ 17      |
| Accounts payable and accrued expenses   | \$ 16                   | \$ 33       | \$ 124     |
| <i>(Income) loss from investments in unconsolidated entities:</i>                           |                         |             |            |
| Investments in unconsolidated entities  | \$ (67,268)             | \$ 2,304    | \$ 1,955   |
| Other liabilities   | \$ 1,323                | \$ 1,363    | \$ 1,415   |
| <i>Realized/unrealized (gain) loss on derivative instruments:</i>                           |                         |             |            |
| Other assets  | \$ 2,002                | \$ (14,977) | \$ (4,582) |
| Notes, net  | \$ 2,277                | \$ (680)    | \$ (3,454) |
| Other liabilities   | \$ 29,486               | \$ 10,533   | \$ 1,597   |
| Accumulated other comprehensive income  | \$ (33,765)             | \$ 5,174    | \$ 6,439   |
| <i>Investments in unconsolidated entities:</i>  |                         |             |            |
| Investments in unconsolidated entities  | \$ (7,504)              | \$ (4,891)  | \$ (3,034) |
| Other liabilities   | \$ (2,100)              | \$ (1,680)  | \$ (3,000) |
| <i>Debt financing costs:</i>  |                         |             |            |
| Other assets  | \$ (6,909)              | \$ (145)    | \$ —       |
| Mortgage notes payable, net   | \$ (2,354)              | \$ (555)    | \$ —       |
| Notes, net  | \$ (10,549)             | \$ (7,883)  | \$ (6,289) |
| <i>Right-of-use assets and lease liabilities initial measurement and reclassifications:</i> |                         |             |            |
| Right-of-use assets   | \$ (489,517)            | \$ —        | \$ —       |
| Other assets  | \$ 184,116              | \$ —        | \$ —       |
| Lease liabilities   | \$ 333,603              | \$ —        | \$ —       |
| Other liabilities   | \$ (28,202)             | \$ —        | \$ —       |
| <i>Proceeds from (payments on) settlement of derivative instruments:</i>                    |                         |             |            |
| Other assets  | \$ —                    | \$ 18,118   | \$ 1,295   |
| Other liabilities   | \$ (41,616)             | \$ —        | \$ —       |

See accompanying notes

**ERP OPERATING LIMITED PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL**  
(Amounts in thousands)

|   | Year Ended December 31, |                      |                      |
|---|-------------------------|----------------------|----------------------|
|   | 2019                    | 2018                 | 2017                 |
| <b>PARTNERS' CAPITAL</b>  |                         |                      |                      |
| <b>PREFERENCE UNITS</b>   |                         |                      |                      |
| Balance, beginning of year  | \$ 37,280               | \$ 37,280            | \$ 37,280            |
| Balance, end of year  | <u>\$ 37,280</u>        | <u>\$ 37,280</u>     | <u>\$ 37,280</u>     |
| <b>GENERAL PARTNER</b>  |                         |                      |                      |
| Balance, beginning of year  | \$ 10,200,910           | \$ 10,293,796        | \$ 10,305,707        |
| OP Unit Issuance:   |                         |                      |                      |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | 10,410                  | 4,098                | 15,900               |
| Exercise of EQR share options   | 77,785                  | 30,655               | 31,596               |
| EQR's Employee Share Purchase Plan (ESPP)   | 3,116                   | 3,879                | 3,744                |
| Share-based employee compensation expense:  |                         |                      |                      |
| EQR restricted shares   | 12,438                  | 8,258                | 9,777                |
| EQR share options   | 2,675                   | 9,734                | 6,835                |
| EQR ESPP discount   | 642                     | 767                  | 747                  |
| Net income available to Units – General Partner                                       | 967,287                 | 654,445              | 600,363              |
| OP Units – General Partner distributions  | (842,555)               | (796,212)            | (740,459)            |
| Offering costs  | (991)                   | (27)                 | (51)                 |
| Supplemental Executive Retirement Plan (SERP)   | (1,675)                 | (454)                | (594)                |
| Change in market value of Redeemable Limited Partners                                 | (82,283)                | (13,922)             | 41,916               |
| Adjustment for Limited Partners ownership in Operating Partnership                    | 8,030                   | 5,893                | 18,315               |
| Balance, end of year  | <u>\$ 10,355,789</u>    | <u>\$ 10,200,910</u> | <u>\$ 10,293,796</u> |
| <b>LIMITED PARTNERS</b>   |                         |                      |                      |
| Balance, beginning of year  | \$ 228,738              | \$ 226,691           | \$ 221,297           |
| Issuance of restricted units to Limited Partners                                      | 2                       | 1                    | —                    |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | (10,410)                | (4,098)              | (15,900)             |
| Equity compensation associated with Units – Limited Partners                          | 13,410                  | 14,009               | 10,523               |
| Net income available to Units – Limited Partners                                      | 36,034                  | 24,939               | 22,604               |
| Units – Limited Partners distributions  | (29,896)                | (28,682)             | (26,739)             |
| Change in carrying value of Redeemable Limited Partners                               | (2,011)                 | 1,771                | 33,221               |
| Adjustment for Limited Partners ownership in Operating Partnership                    | (8,030)                 | (5,893)              | (18,315)             |
| Balance, end of year  | <u>\$ 227,837</u>       | <u>\$ 228,738</u>    | <u>\$ 226,691</u>    |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>                                  |                         |                      |                      |
| Balance, beginning of year  | \$ (64,986)             | \$ (88,612)          | \$ (113,909)         |
| Accumulated other comprehensive income (loss) – derivative instruments:               |                         |                      |                      |
| Unrealized holding gains (losses) arising during the year                             | (33,765)                | 5,174                | 6,439                |
| Losses reclassified into earnings from other comprehensive income                     | 21,188                  | 18,452               | 18,858               |
| Balance, end of year  | <u>\$ (77,563)</u>      | <u>\$ (64,986)</u>   | <u>\$ (88,612)</u>   |
| <b>DISTRIBUTIONS</b>  |                         |                      |                      |
| Distributions declared per Unit outstanding   | <u>\$ 2.27</u>          | <u>\$ 2.16</u>       | <u>\$ 2.015</u>      |

See accompanying notes

**ERP OPERATING LIMITED PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (Continued)**  
(Amounts in thousands)

|   | Year Ended December 31, |                   |                 |
|---|-------------------------|-------------------|-----------------|
|   | 2019                    | 2018              | 2017            |
| <b>NONCONTROLLING INTERESTS</b>                                       |                         |                   |                 |
| <b>NONCONTROLLING INTERESTS – PARTIALLY OWNED</b>                     |                         |                   |                 |
| <b>PROPERTIES</b>   |                         |                   |                 |
| Balance, beginning of year  | \$ (2,293)              | \$ 4,708          | \$ 10,609       |
| Net income attributable to Noncontrolling Interests                   | 3,297                   | 2,718             | 2,323           |
| Acquisitions of Noncontrolling Interests – Partially Owned Properties | —                       | (13)              | —               |
| Contributions by Noncontrolling Interests                             | 7,337                   | 125               | 125             |
| Distributions to Noncontrolling Interests                             | (7,158)                 | (9,831)           | (8,349)         |
| Balance, end of year  | <u>\$ 1,183</u>         | <u>\$ (2,293)</u> | <u>\$ 4,708</u> |

See accompanying notes

**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 communities, 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, 2019 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.

As of December 31, 2019, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 309 properties located in 10 states and the District of Columbia consisting of 79,962 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

|   | <u>Properties</u> | <u>Apartment Units</u> |
|---|-------------------|------------------------|
| Wholly Owned Properties                   | 291               | 76,265                 |
| Master-Leased Property – Consolidated     | 1                 | 162                    |
| Partially Owned Properties – Consolidated | 17                | 3,535                  |
|   | <u>309</u>        | <u>79,962</u>          |

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.

**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 any unconsolidated properties/entities.

*Real Estate Assets and Depreciation of Investment in Real Estate*

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 years ended December 31, 2019 and 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 units 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 8 for more information on ground lease intangibles.
- 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.
- 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 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. 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.

#### *Impairment of Long-Lived Assets*

The Company periodically evaluates its long-lived assets, including its investment 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, legal, regulatory and environmental concerns, the Company's intent and ability to hold the related asset, as well as any significant cost overruns on development properties. 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 make an estimate of the fair value for the particular asset and would record an impairment loss for the difference between the estimated fair value and the carrying amount of the asset. In determining the future undiscounted cash flows or the estimated fair value of an asset there is judgment in estimating the expected future rental revenues, operating expenses and discount and capitalization rates.

- 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, 2019, 2018 and 2017, the Company capitalized \$14.2 million, \$13.2 million and \$14.7 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 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 Deposit 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.

### *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 may seek 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 derivative 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.

#### *Leases and 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 leases (including commercial leases) is also recorded on a straight-line basis. Retail 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.

The majority of the Company's revenue is derived from residential, retail and other lease income, which are accounted for under the new leasing standard effective January 1, 2019 (discussed below in *Recently Adopted Accounting Pronouncements*). Our 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 Company is a lessor for its residential and retail leases and is a lessee for its corporate headquarters and regional offices and ground leases for land underlying current operating properties or projects under development. If applicable, lease agreements must be evaluated to determine the accounting treatment as a finance or operating lease in accordance with the new leasing standard. A lease is classified as a finance lease if it meets any of the following criteria: (a) Ownership of the underlying asset is transferred to the lessee by the end of the lease term; (b) the lessee has and is reasonably certain to exercise an option to purchase the underlying asset; (c) the lease term is for the major part of the remaining economic life of the underlying asset; (d) the present value of future minimum lease payments is equal to substantially all of the fair value of the underlying asset; and (e) the underlying asset is expected to have no alternative use to the lessor at the end of the lease term due to its specialized nature.

The new leasing standard also requires the recognition on the balance sheet of: (a) a liability for the lease obligation (initially measured at the present value of the future lease payments not yet paid over the lease term); and (b) an asset for its right to use the underlying asset (initially equal to the lease liability). See *Recently Adopted Accounting Pronouncements* below for additional details regarding the adoption of this standard. Rental revenues are recognized on a straight-line basis over the term of the lease when reasonably assured they are collectible. The Company uses estimates and judgments on the incremental borrowing rate used to calculate the present value of the future lease payments. See Note 8 for additional discussion.

The Company's revenue streams that are not accounted for under the new leasing standard include:

- Parking revenue – The Company's parking revenue, not related to leasing, is derived primarily from monthly and transient daily parking and is accounted for at the point in time when control of the goods or services transfers to the customer and our performance obligation is satisfied.
- Other rental and non-rental related revenue – The Company receives other income, including, but not limited to: (a) ancillary income, such as laundry, renters insurance and cable income; (b) net settlement income or collections; and (c) miscellaneous fee income.
- Fee and asset management revenue – The Company received management fee revenue as the property manager for two unconsolidated joint ventures for which it had an ownership interest during part of the year but no longer owns as of December 31, 2019.
- Gains or losses on sales of real estate properties – The Company accounts for the sale of real estate properties and any related gain recognition in accordance with the accounting guidance applicable to sales of real estate, which establishes standards for recognition of profit on all real estate sales transactions. The Company recognizes the sale, and associated gain or loss from the disposition, provided that the earnings process is complete and the Company does not have significant continuing involvement. A gain or loss is recognized when the criteria for an asset to be derecognized are met, which include when a contract exists and the buyer obtained control of the nonfinancial asset that was sold.

The Company's rental income detail by leasing and revenue recognition standards along with the percentages of rental income are disclosed in the table below for the years ended December 31, 2019 and 2018 (amounts in thousands).

| Income Type                  | Year Ended December 31, 2019 |                    | Year Ended December 31, 2018 |                    |
|------------------------------|------------------------------|--------------------|------------------------------|--------------------|
|                              | \$ Rental Income             | % of Rental Income | \$ Rental Income             | % of Rental Income |
| Residential and retail rent  | \$ 2,486,189                 |                    | \$ 2,369,552                 |                    |
| Utility recoveries ("RUBS")  | 68,576                       |                    | 63,218                       |                    |
| Parking rent                 | 37,905                       |                    | 33,757                       |                    |
| Storage rent                 | 3,816                        |                    | 3,674                        |                    |
| Pet rent                     | 11,617                       |                    | 11,185                       |                    |
| Leasing standard (1)         | 2,608,103                    | 96.6%              | 2,481,386                    | 96.3%              |
| Parking revenue              | 28,272                       |                    | 26,743                       |                    |
| Other revenue                | 64,316                       |                    | 69,552                       |                    |
| Revenue recognition standard | 92,588                       | 3.4%               | 96,295                       | 3.7%               |
| Rental income                | <u>\$ 2,700,691</u>          | <u>100.0%</u>      | <u>\$ 2,577,681</u>          | <u>100.0%</u>      |

(1) See Note 8 for additional details on leasing revenue.

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

|                             | 2019    | 2018    | 2017    |
|-----------------------------|---------|---------|---------|
| Expected volatility (1)     | 16.3%   | 14.8%   | 15.3%   |
| Expected life (2)           | 5 years | 5 years | 5 years |
| Expected dividend yield (3) | 3.10%   | 3.09%   | 3.08%   |
| Risk-free interest rate (4) | 2.43%   | 2.52%   | 1.93%   |
| Option valuation per share  | \$ 8.06 | \$ 6.15 | \$ 5.86 |

- (1) Expected volatility – Estimated based on the historical five-year volatility (the period matching the expected life) of EQR's share price measured on a monthly basis.
- (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 at the grant date for a period matching the expected life of each grant.

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

EQR has elected to be taxed as a REIT. This, along with the nature of the operations of its operating properties, resulted in no provision for federal income taxes being 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.

The Company's provision for income and other tax expense (benefit) was as follows for the years ended December 31, 2019, 2018 and 2017 (amounts in thousands):

|  | Year Ended December 31, |               |               |
|--|-------------------------|---------------|---------------|
|  | 2019                    | 2018          | 2017          |
| State and local income, franchise and excise tax (benefit) | \$ 963                  | \$ 878        | \$ 478        |
| Alternative minimum tax credit (benefit) (1)               | (3,244)                 | —             | —             |
| Income and other tax expense (benefit) (2)                 | <u>\$ (2,281)</u>       | <u>\$ 878</u> | <u>\$ 478</u> |

- (1) As provided in recent tax legislation which repealed the alternative minimum tax on corporations, in 2019 the Company claimed/received \$1.6 million of refunds of various alternative minimum tax credit carryovers generated in prior tax years. The provision allows for carryover amounts to be refunded over four years, with 50% available in the first year. The remaining \$1.6 million, which will be claimed over three years, was accrued in 2019, for a total expected benefit of \$3.2 million.
- (2) All provisions for income tax amounts are current and none are deferred.

During the years ended December 31, 2019, 2018 and 2017, the tax character of the Company's dividends and distributions were as follows (unaudited):

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2019 (1)                | 2018 (2)          | 2017 (3)          |
| Tax character of dividends and distributions: |                         |                   |                   |
| Ordinary dividends                            | \$ 1.39604              | \$ 1.84454        | \$ 1.22126        |
| Long-term capital gain                        | 0.61243                 | 0.21423           | 0.18959           |
| Unrecaptured section 1250 gain                | 0.23403                 | 0.06498           | 0.10040           |
| Dividends and distributions per               |                         |                   |                   |
| Common Share/Unit outstanding                 | <u>\$ 2.24250</u>       | <u>\$ 2.12375</u> | <u>\$ 1.51125</u> |

- (1) The Company's fourth quarter 2019 dividends and distributions of \$0.5675 per Common Share/Unit outstanding will be included as taxable income in calendar year 2020.
- (2) The Company's fourth quarter 2018 dividends and distributions of \$0.54 per Common Share/Unit outstanding was included as taxable income in calendar year 2019.
- (3) The Company's fourth quarter 2017 dividends and distributions of \$0.50375 per Common Share/Unit outstanding was 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, 2019 and 2018 was approximately \$13.7 billion and \$14.0 billion, respectively.

### *Principles of Consolidation*

The Company may hold an interest in subsidiaries, partnerships, joint ventures and other similar entities and accounts for these interests in accordance with the consolidation guidance. The Company first determines whether to consolidate the entity as a variable interest entity ("VIE") or account for the interest under the equity method of accounting. Equity investors of VIEs do not have sufficient equity at risk to finance their activities without additional subordinated financial support or do not have substantive participating rights. The Company consolidates an entity when it is considered to be the primary beneficiary or when it controls the entity through ownership of a majority voting interest. A primary beneficiary has the power to direct the activities that most significantly impact the VIE's performance and has the obligation to absorb the expected losses or the right to receive the expected residual returns that could potentially be significant to the VIE. In evaluating whether the entity is a VIE, the Company considers several factors, including, but not limited to, funding and financing sources, business purpose of the entity, related parties, developer and property management fees and agreement terms regarding major decisions, participating and voting rights, contributions and distributions.



### *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.

### *Recently Issued Accounting Pronouncements*

In June 2016, the Financial Accounting Standards Board ("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 was effective for the Company beginning on January 1, 2020 and it did not have a material effect on its consolidated results of operations or financial position.

## Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued a comprehensive revenue recognition standard entitled *Revenue from Contracts with Customers* that superseded nearly all existing revenue recognition guidance. The standard specifically excludes lease revenue. The 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. The majority of rental income consists of revenue from leasing arrangements, which is specifically excluded from the standard. 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 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.

Additionally, as part of the revenue recognition standard, the FASB issued amendments related to partial sales of real estate. Adoption of the 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 standards.

In February 2016, the FASB issued a 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 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 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 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 Company adopted this standard as required effective January 1, 2019 using a modified retrospective method and the Company applied the guidance as of the adoption date and elected certain practical expedients, as described below. The standard impacted our consolidated balance sheets but did not impact our consolidated statements of operations. Right-of-use ("ROU") assets and lease liabilities where the Company is the lessee were recognized for various corporate office leases and ground leases. The Company recorded ROU assets and related lease liabilities to its opening balance sheet upon adoption on January 1, 2019 of \$434.2 million and \$278.3 million, respectively. The Company calculated the net present value of the lease liabilities on January 1, 2019 and reclassified the following amounts from other assets and other liabilities to record our initial ROU assets (amounts in thousands):

|  | January 1, 2019 | Balance Sheet Reclass: |
|--|-----------------|------------------------|
| Initial lease liabilities                    | \$ 278,287      |                        |
| Reclassifications:                           |                 |                        |
| Prepaid ground leases                        | 17,886          | Other Assets           |
| Ground lease intangibles – below market, net | 166,230         | Other Assets           |
| Ground lease intangibles – above market, net | (2,110)         | Other Liabilities      |
| Straight-line rent liabilities (1)           | (26,092)        | Other Liabilities      |
| Initial right-of-use assets                  | \$ 434,201      |                        |

(1) Straight-line rent liabilities relate to corporate office leases and certain ground leases.

The Company elected the practical expedient to not reassess the classification of existing operating leases. As of January 1, 2019, any new or modified ground leases may be classified as financing leases unless they meet certain conditions. When there is a material lease modification, the Company is required to reassess the classification and remeasure the lease liability.



In July 2018, the FASB issued an amendment to the 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 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. See Note 8 for additional discussion regarding the new lease standard.

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 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 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 standard as required effective January 1, 2019 and it did not have a material effect on its consolidated results of operations or financial position.

#### *Other*

The Company is the controlling partner in various consolidated partnerships owning 17 properties consisting of 3,535 apartment units having a noncontrolling interest balance of \$1.2 million at December 31, 2019. 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 \$10.2 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, 2019 the Company estimates the value of Noncontrolling Interest distributions for these four properties would have been approximately \$78.9 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, 2019 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.

### **3. Equity, Capital and Other Interests**

The Company refers to "Common Shares" and "Units" (which refer to both OP Units and restricted units) as equity securities for EQR and "General Partner Units" and "Limited Partner Units" as equity securities for ERPOP. To provide a streamlined and more readable presentation of the disclosures for the Company and the Operating Partnership, several sections below refer to the respective terminology for each with the same financial information and separate sections are provided, where needed, to further distinguish any differences in financial information and terminology.

The following table presents the changes in the Company's issued and outstanding Common Shares and Units for the years ended December 31, 2019, 2018 and 2017:

|  | 2019               | 2018               | 2017               |
|--|--------------------|--------------------|--------------------|
| <b>Common Shares</b>   |                    |                    |                    |
| Common Shares outstanding at January 1,                          | 369,405,161        | 368,018,082        | 365,870,924        |
| <b>Common Shares Issued:</b>                                     |                    |                    |                    |
| Conversion of OP Units   | 313,940            | 131,477            | 1,149,284          |
| Exercise of share options  | 1,745,050          | 1,056,388          | 846,137            |
| Employee Share Purchase Plan (ESPP)                              | 48,131             | 75,414             | 68,286             |
| Restricted share grants, net                                     | 158,602            | 123,800            | 83,451             |
| <b>Common Shares outstanding at December 31,</b>                 | <b>371,670,884</b> | <b>369,405,161</b> | <b>368,018,082</b> |
| <b>Units</b>   |                    |                    |                    |
| Units outstanding at January 1,                                  | 13,904,035         | 13,768,438         | 14,626,075         |
| Restricted unit grants, net                                      | 141,220            | 267,074            | 291,647            |
| Conversion of OP Units to Common Shares                          | (313,940)          | (131,477)          | (1,149,284)        |
| <b>Units outstanding at December 31,</b>                         | <b>13,731,315</b>  | <b>13,904,035</b>  | <b>13,768,438</b>  |
| <b>Total Common Shares and Units outstanding at December 31,</b> | <b>385,402,199</b> | <b>383,309,196</b> | <b>381,786,520</b> |
| Units Ownership Interest in Operating Partnership                | 3.6%               | 3.6%               | 3.6%               |

The following table presents the changes in the Operating Partnership's issued and outstanding General Partner Units and Limited Partner Units for the years ended December 31, 2019, 2018 and 2017:

|  | 2019               | 2018               | 2017               |
|--|--------------------|--------------------|--------------------|
| <b>General and Limited Partner Units</b>                             |                    |                    |                    |
| General and Limited Partner Units outstanding at January 1,          | 383,309,196        | 381,786,520        | 380,496,999        |
| <b>Issued to General Partner:</b>                                    |                    |                    |                    |
| Exercise of EQR share options  | 1,745,050          | 1,056,388          | 846,137            |
| EQR's Employee Share Purchase Plan (ESPP)                            | 48,131             | 75,414             | 68,286             |
| EQR's restricted share grants, net                                   | 158,602            | 123,800            | 83,451             |
| <b>Issued to Limited Partners:</b>                                   |                    |                    |                    |
| Restricted unit grants, net  | 141,220            | 267,074            | 291,647            |
| <b>General and Limited Partner Units outstanding at December 31,</b> | <b>385,402,199</b> | <b>383,309,196</b> | <b>381,786,520</b> |
| <b>Limited Partner Units</b>   |                    |                    |                    |
| Limited Partner Units outstanding at January 1,                      | 13,904,035         | 13,768,438         | 14,626,075         |
| Limited Partner restricted unit grants, net                          | 141,220            | 267,074            | 291,647            |
| Conversion of Limited Partner OP Units to EQR Common Shares          | (313,940)          | (131,477)          | (1,149,284)        |
| <b>Limited Partner Units outstanding at December 31,</b>             | <b>13,731,315</b>  | <b>13,904,035</b>  | <b>13,768,438</b>  |
| Limited Partner Units Ownership Interest in Operating Partnership    | 3.6%               | 3.6%               | 3.6%               |

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" and "Limited Partners Capital," respectively, for the Company and the Operating Partnership. Subject to certain exceptions (including the "book-up" requirements of restricted units), the Noncontrolling Interests – Operating Partnership/Limited Partners Capital may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Noncontrolling Interests – Operating Partnership/Limited Partners Capital (including redeemable interests) is allocated based on the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total in proportion to the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total plus the total number of Common Shares/General Partner Units. Net income is allocated to the Noncontrolling Interests – Operating Partnership/Limited Partners Capital 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/Limited Partners Capital requesting an exchange of their Noncontrolling Interests – Operating Partnership/Limited Partners Capital with EQR. Once the Operating Partnership elects not to redeem the Noncontrolling Interests – Operating Partnership/Limited Partners Capital for cash, EQR is obligated to deliver Common Shares to the exchanging holder of the Noncontrolling Interests – Operating Partnership/Limited Partners Capital.

The Noncontrolling Interests – Operating Partnership/Limited Partners Capital 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/Limited Partners Capital are differentiated and referred to as “Redeemable Noncontrolling Interests – Operating Partnership” and “Redeemable Limited Partners,” respectively. 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/Redeemable Limited Partners 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/Limited Partners Capital that are classified in permanent equity at December 31, 2019 and 2018.

The carrying value of the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners is allocated based on the number of Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners in proportion to the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total. Such percentage of the total carrying value of Units/Limited Partner Units which is ascribed to the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners is then adjusted to the greater of carrying value or fair market value as described above. As of December 31, 2019 and 2018, the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners have a redemption value of approximately \$463.4 million and \$379.1 million, respectively, which represents the value of Common Shares that would be issued in exchange for the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners.

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners for the years ended December 31, 2019, 2018 and 2017, respectively (amounts in thousands):

|                          | 2019              | 2018              | 2017              |
|--------------------------|-------------------|-------------------|-------------------|
| Balance at January 1,    | \$ 379,106        | \$ 366,955        | \$ 442,092        |
| Change in market value   | 82,283            | 13,922            | (41,916)          |
| Change in carrying value | 2,011             | (1,771)           | (33,221)          |
| Balance at December 31,  | <u>\$ 463,400</u> | <u>\$ 379,106</u> | <u>\$ 366,955</u> |

Net proceeds from EQR Common Share and Preferred Share (see definition below) offerings and proceeds from exercise of options for Common Shares 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 proceeds from Common Shares and Preferred Shares are allocated for the Company between shareholders’ equity and Noncontrolling Interests – Operating Partnership and for the Operating Partnership between General Partner’s Capital and Limited Partners Capital to account for the change in their respective percentage ownership of the underlying equity.

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/Preference Units as of December 31, 2019 and 2018:

|   | <i>Call<br/>Date (1)</i> | <i>Annual<br/>Dividend Per<br/>Share/Unit (2)</i> | <i>Amounts in thousands</i>  |                              |
|---|--------------------------|---|------------------------------|------------------------------|
|   |                          |   | <i>December 31,<br/>2019</i> | <i>December 31,<br/>2018</i> |
| Preferred Shares/Preference Units of beneficial interest, \$0.01 par value;<br>100,000,000 shares authorized:   |                          |   |                              |                              |
| 8.29% Series K Cumulative Redeemable Preferred Shares/Preference<br>Units; liquidation value \$50 per share/unit; 745,600 shares/units issued<br>and outstanding as of December 31, 2019 and 2018 | 12/10/26                 | \$ 4.145  | \$ 37,280                    | \$ 37,280                    |
|   |                          |   | <u>\$ 37,280</u>             | <u>\$ 37,280</u>             |

- (1) On or after the call date, redeemable Preferred Shares/Preference Units may be redeemed for cash at the option of the Company or the Operating Partnership, respectively, in whole or in part, at a redemption price equal to the liquidation price per share/unit, plus accrued and unpaid distributions, if any.
- (2) Dividends on Preferred Shares/Preference Units are payable quarterly.

#### *Other*

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 in June 2019 and expires in June 2022. 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).

The Company has an At-The-Market ("ATM") share offering program which allows EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. In June 2019, the Company extended the program maturity to June 2022. In connection with the extension, the Company may now also sell Common Shares under forward sale agreements. The use of a forward sale agreement would allow the Company to lock in a price on the sale of Common Shares at the time the agreement is executed, but defer receiving the proceeds from the sale until a later date. EQR has the authority to issue 13.0 million shares but has not issued any shares under this program since September 2012.

The Company may repurchase up to 13.0 million Common Shares under its share repurchase program. No open market repurchases have occurred since 2008 and no repurchases of any kind have occurred since February 2014. As of December 31, 2019, EQR has remaining authorization to repurchase up to 13.0 million of its shares.

## **4. Real Estate**

The following table summarizes the carrying amounts for the Company's investment in real estate (at cost) as of December 31, 2019 and 2018 (amounts in thousands):

|                                   | <b>2019</b>          | <b>2018</b>          |
|-----------------------------------|----------------------|----------------------|
| Land                              | \$ 5,936,188         | \$ 5,875,803         |
| Depreciable property:             |                      |                      |
| Buildings and improvements        | 18,904,686           | 18,232,625           |
| Furniture, fixtures and equipment | 1,916,458            | 1,722,231            |
| In-Place lease intangibles        | 497,957              | 481,045              |
| Projects under development:       |                      |                      |
| Land                              | 23,531               | 25,429               |
| Construction-in-progress          | 158,099              | 83,980               |
| Land held for development:        |                      |                      |
| Land                              | 64,460               | 61,038               |
| Construction-in-progress          | 32,228               | 28,871               |
| Investment in real estate         | 27,533,607           | 26,511,022           |
| Accumulated depreciation          | (7,276,786)          | (6,696,281)          |
| Investment in real estate, net    | <u>\$ 20,256,821</u> | <u>\$ 19,814,741</u> |

### Acquisitions and Dispositions

During the year ended December 31, 2019, the Company acquired the following from unaffiliated parties (purchase price in thousands):

|                                      | <u>Properties</u> | <u>Apartment Units</u> | <u>Purchase Price</u> |
|--------------------------------------|-------------------|------------------------|-----------------------|
| Rental Properties – Consolidated (1) | 13                | 3,540                  | \$ 1,494,689          |
| Land Parcels (four) (2)              | —                 | —                      | 19,832                |
| Total                                | <u>13</u>         | <u>3,540</u>           | <u>\$ 1,514,521</u>   |

- (1) Purchase price includes an allocation of approximately \$268.3 million to land and \$1.229 billion to depreciable property (inclusive of capitalized closing costs).
- (2) Purchase price includes an allocation of approximately \$16.7 million to vacant land and \$4.9 million to construction-in-progress (inclusive of capitalized closing costs). Land parcels include entry into two long-term ground leases for land projects under development in the Washington D.C. market, of which one land parcel is subject to a fully prepaid ground lease. See Notes 6 and 8 for additional discussion.

During the year ended December 31, 2018, the Company acquired the following from unaffiliated parties (purchase price in thousands):

|                                      | <u>Properties</u> | <u>Apartment Units</u> | <u>Purchase Price</u> |
|--------------------------------------|-------------------|------------------------|-----------------------|
| Rental Properties – Consolidated (1) | 5                 | 1,478                  | \$ 707,005            |
| Total                                | <u>5</u>          | <u>1,478</u>           | <u>\$ 707,005</u>     |

- (1) Purchase price includes an allocation of approximately \$113.7 million to land and \$594.4 million to depreciable property (inclusive of capitalized closing costs).

During the year ended December 31, 2019, the Company disposed of the following to unaffiliated parties (sales price in thousands):

|  | <u>Properties</u> | <u>Apartment Units</u> | <u>Sales Price</u>  |
|--|-------------------|------------------------|---------------------|
| Rental Properties – Consolidated       | 11                | 2,361                  | \$ 1,080,675        |
| Rental Properties – Unconsolidated (1) | 2                 | 945                    | 394,500             |
| Land Parcels (two)                     | —                 | —                      | 2,100               |
| Total                                  | <u>13</u>         | <u>3,306</u>           | <u>\$ 1,477,275</u> |

- (1) The Company owned a 20% interest in both unconsolidated rental properties. Sales price listed is the gross sales price. The Company received net sales proceeds of approximately \$78.3 million.

The Company recognized a net gain on sales of real estate properties of approximately \$447.6 million, a net gain on sales of unconsolidated entities of approximately \$69.5 million and a net gain on sales of land parcels of approximately \$2.0 million on the above sales.

During the year ended December 31, 2018, the Company disposed of the following to unaffiliated parties (sales price in thousands):

|                                  | <u>Properties</u> | <u>Apartment Units</u> | <u>Sales Price</u> |
|----------------------------------|-------------------|------------------------|--------------------|
| Rental Properties – Consolidated | 5                 | 1,292                  | \$ 706,120         |
| Land Parcels (one)               | —                 | —                      | 2,700              |
| Total                            | <u>5</u>          | <u>1,292</u>           | <u>\$ 708,820</u>  |

The Company recognized a net gain on sales of real estate properties of approximately \$256.8 million and a net gain on sales of land parcels of approximately \$1.0 million on the above sales.

### Impairment

During the year ended December 31, 2018, the Company recorded an approximate \$0.7 million non-cash asset impairment charge on a property located in the San Francisco market due to physical property damage as a result of a fire at one of the buildings at the property.

During the year ended December 31, 2017, the Company recorded an approximate \$1.7 million non-cash asset impairment charge on a land parcel that was being marketed for sale, which is included in land held for development on the consolidated balance sheets and included in the non-same store/other segment discussed in Note 17. The charge was the result of an analysis of the parcel's estimated fair value (determined using internally developed models based on market assumptions and potential sales data from the marketing process) compared to its current capitalized carrying value. The parcel was sold in 2019.

## 5. Commitments to Acquire/Dispose of Real Estate

The Company has not entered into any agreements to acquire rental properties or land parcels as of the date of filing.

The Company has entered into separate agreements to dispose of the following (sales price in thousands):

|                                  | Properties | Apartment Units | Sales Price |
|----------------------------------|------------|-----------------|-------------|
| Rental Properties – Consolidated | 4          | 1,416           | \$ 723,500  |
| Land Parcels (two)               | —          | —               | 55,150      |
| Total                            | 4          | 1,416           | \$ 778,650  |

The closing of pending transactions is subject to certain conditions and restrictions; therefore, there can be no assurance that the transactions will be consummated or that the final terms will not differ in material respects from any agreements summarized above. See Note 18 for discussion of the properties acquired or disposed of, if any, subsequent to December 31, 2019.

## 6. Investments in Partially Owned Entities

The Company has co-invested in various properties with unrelated third parties which are either consolidated or accounted for under the equity method of accounting (unconsolidated).

### *Consolidated VIEs*

In accordance with accounting standards for consolidation of VIEs, the Company consolidates ERPOP on EQR's financial statements. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management. The limited partners are not able to exercise substantive kick-out or participating rights. As a result, ERPOP qualifies as a VIE. EQR has a controlling financial interest in ERPOP and, thus, is ERPOP's primary beneficiary. EQR has the power to direct the activities of ERPOP that most significantly impact ERPOP's economic performance as well as the obligation to absorb losses or the right to receive benefits from ERPOP that could potentially be significant to ERPOP.

The Company has various equity interests in certain joint ventures owning 17 properties containing 3,535 apartment units. The Company is the general partner or managing member of these joint ventures and is responsible for managing the operations and affairs of the joint ventures as well as making all decisions regarding the businesses of the joint ventures. The limited partners or non-managing members are not able to exercise substantive kick-out or participating rights. As a result, the joint ventures qualify as VIEs. The Company has a controlling financial interest in the VIEs and, thus, is the VIEs' primary beneficiary. The Company has both the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. As a result, the joint ventures are required to be consolidated on the Company's financial statements.

During the year ended December 31, 2019, the Company entered into two consolidated joint ventures, both of which have been deemed to be VIEs and are consolidated due to the Company being the primary beneficiary. The joint ventures own two separate land parcels which they are currently developing into multifamily rental properties.

The consolidated assets and liabilities related to the VIEs discussed above were approximately \$754.7 million and \$323.1 million, respectively, at December 31, 2019 and approximately \$713.6 million and \$313.9 million, respectively, at December 31, 2018.



## Investments in Unconsolidated Entities

The following table and information summarizes the Company's investments in unconsolidated entities, which are accounted for under the equity method of accounting as the requirements for consolidation are not met, as of December 31, 2019 and December 31, 2018 (amounts in thousands except for ownership percentage):

|   | <u>December 31, 2019</u> | <u>December 31, 2018</u> | <u>Ownership Percentage</u> |
|---|--------------------------|--------------------------|-----------------------------|
| Investments in Unconsolidated Entities: |                          |                          |                             |
| Operating Property (VIE) (1)            | \$ 40,361                | \$ 42,365                | 33.3%                       |
| Operating Properties (Non-VIE) (2)      | —                        | 10,494                   | 20.0%                       |
| Real Estate Technology/Other            | 11,877                   | 5,490                    | Varies                      |
| Investments in Unconsolidated Entities  | <u>\$ 52,238</u>         | <u>\$ 58,349</u>         |                             |

- (1) Represents an unconsolidated interest in an entity that owns the land underlying one of the consolidated joint venture properties noted above and owns and operates a related parking facility. The joint venture, as a limited partner, does not have substantive kick-out or participating rights in the entity. As a result, the entity qualifies as a VIE. The joint venture does not have a controlling financial interest in the VIE and is not the VIE's primary beneficiary. The joint venture does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance or the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, the entity that owns the land and owns and operates the parking facility is unconsolidated and recorded using the equity method of accounting.
- (2) Includes two joint ventures under separate agreements with the same partner totaling 945 apartment units as of December 31, 2018. During the year ended December 31, 2019, the Company and its joint venture partner sold both properties under separate agreements to unaffiliated parties. See Note 4 for additional discussion.

## 7. Restricted Deposits

The following table presents the Company's restricted deposits as of December 31, 2019 and 2018 (amounts in thousands):

|  | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|--------------------------|--------------------------|
| Mortgage escrow deposits:                      |                          |                          |
| Real estate taxes and insurance                | \$ —                     | \$ 876                   |
| Replacement reserves                           | 8,543                    | 8,641                    |
| Mortgage principal reserves/sinking funds      | 9,689                    | 9,754                    |
| Other  | —                        | 852                      |
| Mortgage escrow deposits                       | <u>18,232</u>            | <u>20,123</u>            |
| Restricted cash:                               |                          |                          |
| Tax-deferred (1031) exchange proceeds          | 14,232                   | —                        |
| Earnest money on pending acquisitions          | —                        | 5,000                    |
| Restricted deposits on real estate investments | 658                      | 540                      |
| Resident security and utility deposits         | 37,140                   | 35,659                   |
| Other  | 984                      | 7,549                    |
| Restricted cash                                | <u>53,014</u>            | <u>48,748</u>            |
| Restricted deposits                            | <u>\$ 71,246</u>         | <u>\$ 68,871</u>         |

## 8. Leases

### Lessor Accounting

The Company is the lessor for its residential and retail leases (including commercial leases) and these leases will continue to be accounted for as operating leases under the new standard as described in Note 2. Therefore, the Company did not have significant changes in the accounting for its lease revenues.

For the year ended December 31, 2019, approximately 97% of the Company's total lease revenue is generated from residential apartment leases that are generally twelve months or less in length. The residential apartment leases may include lease income related to such items as RUBS income, parking, storage and pet rent that the Company treats as a single lease component because the amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore the Company subsequently recognizes lease income over the lease term on a straight-line basis. Residential leases are renewable upon consent of both parties on an annual or monthly basis.



For the year ended December 31, 2019, approximately 3% of the Company's total lease revenue is generated by retail leases that are generally for terms ranging between five to ten years. The retail leases generally consist of ground floor retail spaces and master-leased parking garages that serve as additional amenities for our residents. The retail leases may include lease income related to such items as RUBS income, parking rent and storage rent that the Company treats as a single lease component because the amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore the Company subsequently recognizes lease income over the lease term on a straight-line basis. Retail leases are renewable with market-based renewal options.

The Company elected the practical expedient to account for both its lease and non-lease components (specifically common area maintenance charges) as a single lease component under the leases standard.

The following table presents the lease income types relating to lease payments for residential and retail leases for the year ended December 31, 2019 (amounts in thousands):

| Lease Income Type                    | Year Ended December 31, 2019 |                  |                     |
|--------------------------------------|------------------------------|------------------|---------------------|
|                                      | Residential Leases           | Retail Leases    | Total               |
| Residential and retail rent          | \$ 2,414,201                 | \$ 71,988        | \$ 2,486,189        |
| Utility recoveries (RUBS income) (1) | 67,659                       | 917              | 68,576              |
| Parking rent                         | 37,557                       | 348              | 37,905              |
| Storage rent                         | 3,745                        | 71               | 3,816               |
| Pet rent                             | 11,617                       | —                | 11,617              |
| Total lease revenue (2)              | <u>\$ 2,534,779</u>          | <u>\$ 73,324</u> | <u>\$ 2,608,103</u> |

(1) RUBS income primarily consists of variable payments representing the recovery of utility costs from residents.

(2) Excludes other rental income of \$92.6 million for the year ended December 31, 2019, which is accounted for under the revenue recognition standard discussed in Note 2.

#### *Lessee Accounting*

The Company is the lessee under various corporate office and ground leases for which the Company recognized ROU assets and related lease liabilities effective January 1, 2019. The following table presents the Company's ROU assets and related lease liabilities as of December 31, 2019 (amounts in thousands):

|                           | 2019              |
|---------------------------|-------------------|
| Right-of-use assets:      |                   |
| Corporate office leases   | \$ 41,596         |
| Ground leases (finance)   | 57,982            |
| Ground leases (operating) | 413,196           |
| Right-of-use assets       | <u>\$ 512,774</u> |
| Lease liabilities:        |                   |
| Corporate office leases   | \$ 43,105         |
| Ground leases (finance)   | 23,239            |
| Ground leases (operating) | 264,990           |
| Lease liabilities         | <u>\$ 331,334</u> |

As the standard requires the recognition of a liability for the lease obligation, discount rates are used to determine the net present value of the lease payments. The discount rate for the lease is the rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. As the Company does not know the amount of the lessors' initial direct costs, it cannot readily determine the rate implicit in the lease and instead must apply the incremental borrowing rate. The Company has estimated the discount rate ranges of 3.3% to 3.9% for corporate office leases and 4.4% to 5.5% for ground leases at adoption. Since the Company's credit backs the corporate office lease obligations and the lease terms are generally ten years or less, the discount rate range was estimated by using the Company's borrowing rates for actual pricing data. The discount rate range for ground leases takes into account various factors, including the longer life of the ground leases, and was estimated by using the Company's borrowing rates for actual pricing data through 30 years and other long-term market rates.

#### *Corporate office leases*

The Company leases nine corporate offices with lease expiration dates ranging from 2021 through 2042 (inclusive of applicable extension options). The Company's corporate office leases continue to be accounted for as operating leases under the new standard. During the year ended December 31, 2019, the Company modified four office leases that continue to be classified as operating leases

and recorded an additional lease liability and ROU asset at initial remeasurement of approximately \$32.1 million. See Note 15 for details on a corporate office lease with a related party.

### *Ground leases*

The Company maintains long-term ground leases for 14 operating properties and two projects under development with lease expiration dates ranging from 2042 through 2118 (inclusive of applicable purchase options). The Company owns the building and improvements. Based on its election of the package of practical expedients, the Company was not required to reassess the classification of existing ground leases at adoption and therefore the 14 operating property leases continue to be accounted for as operating leases. During the year ended December 31, 2019, the Company entered into two new ground leases, one of which is a fully prepaid ground lease, for projects under development that are being accounted for as finance leases and recorded initial ROU assets of approximately \$57.9 million and lease liabilities of approximately \$23.2 million.

### *Ground Lease Intangibles*

Effective on January 1, 2019 with the adoption of the new leasing standard, ground lease intangibles, net of accumulated amortization were reclassified from other assets and other liabilities and are reported within the ROU assets on the consolidated balance sheets. See Note 2 for discussion of the opening balance of ROU assets. The following table summarizes the Company's ground lease intangibles as of December 31, 2019 and 2018 (amounts in thousands):

| Description                                  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Assets</b>                                |                   |                   |
| Ground lease intangibles                     | \$ 189,518        | \$ 191,918        |
| Accumulated amortization                     | (29,861)          | (25,688)          |
| Ground lease intangible assets, net (1)      | <u>\$ 159,657</u> | <u>\$ 166,230</u> |
| <b>Liabilities</b>                           |                   |                   |
| Ground lease intangibles                     | \$ —              | \$ 2,400          |
| Accumulated amortization                     | —                 | (290)             |
| Ground lease intangible liabilities, net (1) | <u>\$ —</u>       | <u>\$ 2,110</u>   |

- (1) As of December 31, 2019, ground lease intangibles, net of accumulated amortization are included within the ROU assets on the consolidated balance sheets. As of December 31, 2018, the ground lease intangibles were included within other assets and other liabilities on the consolidated balance sheets.

The following table provides a summary of the effect of the amortization for ground lease intangibles on the Company's accompanying consolidated statements of operations and comprehensive income for the years ended December 31, 2019, 2018 and 2017 (amounts in thousands):

| Description                          | Income Statement Location | 2019       | 2018       | 2017       |
|--------------------------------------|---------------------------|------------|------------|------------|
| Ground lease intangible amortization | Property and Maintenance  | \$ (4,463) | \$ (4,463) | \$ (4,369) |

The following table provides a summary of the aggregate amortization for ground lease intangibles for each of the next five years (amounts in thousands):

|                          | 2020       | 2021       | 2022       | 2023       | 2024       |
|--------------------------|------------|------------|------------|------------|------------|
| Ground lease intangibles | \$ (4,463) | \$ (4,463) | \$ (4,463) | \$ (4,463) | \$ (4,463) |

### Additional disclosures

The following tables illustrate the quantitative disclosures for lessees as of and for the year ended December 31, 2019 (amounts in thousands):

|   | <b>Year Ended<br/>December 31, 2019</b> |
|---|---|
| Lease cost:                                 |   |
| Finance lease cost:                         |   |
| Amortization of right-of-use assets         | \$ —                                    |
| Interest on lease liabilities (capitalized) | 225                                     |
| Operating lease cost:                       |   |
| Corporate office leases                     | 3,937                                   |
| Ground leases                               | 22,198                                  |
| Variable lease cost:                        |   |
| Corporate office leases                     | 1,489                                   |
| Ground leases                               | 3,700                                   |
| Total lease cost                            | <u>\$ 31,549</u>                        |

|   | <b>December 31, 2019</b> |
|---|--------------------------|
| Other information:  |                          |
| Cash paid for amounts included in the measurement of lease liabilities: |                          |
| Investing cash flows from finance leases (capitalized)                  | \$ 34,922                |
| Operating cash flows from operating leases:                             |                          |
| Corporate office leases   | \$ 5,494                 |
| Ground leases   | \$ 16,837                |
| ROU assets obtained in exchange for new finance lease liabilities       | \$ 23,201                |
| ROU assets obtained in exchange for new operating lease liabilities:    |                          |
| Corporate office leases   | \$ 44,298                |
| Ground leases   | \$ 422,018               |
| Weighted-average remaining lease term – finance leases (1)              | 19.7 years               |
| Weighted-average remaining lease term – operating leases:               |                          |
| Corporate office leases   | 18.1 years               |
| Ground leases   | 56.2 years               |
| Weighted-average discount rate – finance leases                         | 3.0%                     |
| Weighted-average discount rate – operating leases:                      |                          |
| Corporate office leases   | 3.2%                     |
| Ground leases   | 5.0%                     |

- (1) The weighted-average remaining lease term – finance leases does not include the remaining term of a fully prepaid finance lease entered into during the year ended December 31, 2019.

The following table summarizes the Company's undiscounted cash flows for contractual obligations for minimum rent payments/receipts under operating and financing leases for the next five years and thereafter as of December 31, 2019:

|                           | <b>(Payments)/Receipts Due by Year (in thousands)</b> |             |             |             |             |                   |                |
|---------------------------|---|-------------|-------------|-------------|-------------|-------------------|----------------|
|                           | <b>2020</b>   | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>Thereafter</b> | <b>Total</b>   |
| Finance Leases:           |   |             |             |             |             |                   |                |
| Minimum Rent Payments (a) | \$ (567)  | \$ (578)    | \$ (590)    | \$ (601)    | \$ (614)    | \$ (33,850)       | \$ (36,800)    |
| Operating Leases:         |   |             |             |             |             |                   |                |
| Minimum Rent Payments (a) | \$ (16,914)   | \$ (17,161) | \$ (16,907) | \$ (16,998) | \$ (17,330) | \$ (979,172)      | \$ (1,064,482) |
| Minimum Rent Receipts (b) | \$ 64,527   | \$ 61,817   | \$ 58,204   | \$ 50,906   | \$ 43,784   | \$ 154,898        | \$ 434,136     |

- (a) Minimum basic rent due for corporate office leases and base rent due on ground leases where the Company is the lessee.
- (b) Minimum basic rent receipts due for various retail space where the Company is the lessor. Excludes residential leases due to their short-term nature.

The following table provides a reconciliation of lease liabilities from our undiscounted cash flows for minimum rent payments as of December 31, 2019 (amounts in thousands):

|                             | 2019              |
|-----------------------------|-------------------|
| Total minimum rent payments | \$ 1,101,282      |
| Less: Lease discount        | 769,948           |
| Lease liabilities           | <u>\$ 331,334</u> |

## 9. Debt

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. Weighted average interest rates noted below for the years ended December 31, 2019 and 2018 include the effect of any derivative instruments and amortization of premiums/discounts/OCI (other comprehensive income) on debt and derivatives.

### *Mortgage Notes Payable*

The following tables summarize the Company's mortgage notes payable activity for the years ended December 31, 2019 and 2018, respectively (amounts in thousands):

|                        | Mortgage notes payable, net as of December 31, 2018 | Proceeds          | Lump sum payoffs   | Scheduled principal repayments | Amortization of premiums/discounts | Amortization of deferred financing costs, net (1) | Mortgage notes payable, net as of December 31, 2019 |
|------------------------|---|-------------------|--------------------|--------------------------------|------------------------------------|---|---|
| Fixed Rate Debt:       |   |                   |                    |                                |                                    |   |   |
| Secured – Conventional | \$ 1,885,407  | \$ 288,120        | (2) \$(584,536)    | \$ (6,308)                     | \$ (7,999)                         | \$ 15   | \$ 1,574,699  |
| Floating Rate Debt:    |   |                   |                    |                                |                                    |   |   |
| Secured – Conventional | 6,357   | 7,651             | (3) (5,920)        | (500)                          | —                                  | (538)   | 7,050   |
| Secured – Tax Exempt   | 493,706   | —                 | (152,565)          | —                              | 16,617                             | 2,103   | 359,861   |
| Floating Rate Debt     | 500,063   | 7,651             | (158,485)          | (500)                          | 16,617                             | 1,565   | 366,911   |
| Total                  | <u>\$ 2,385,470</u>                                 | <u>\$ 295,771</u> | <u>\$(743,021)</u> | <u>\$ (6,808)</u>              | <u>\$ 8,618</u>                    | <u>\$ 1,580</u>                                   | <u>\$ 1,941,610</u>                                 |

- (1) Represents amortization of deferred financing costs, net of debt financing costs.
- (2) Obtained 3.94% fixed rate mortgage debt held in a Fannie Mae loan pool maturing on March 1, 2029.
- (3) Obtained variable rate construction mortgage debt that is non-recourse to the Company maturing on June 25, 2022 (total commitment of \$67.6 million).

|                        | Mortgage notes payable, net as of December 31, 2017 | Proceeds         | Lump sum payoffs     | Scheduled principal repayments | Amortization of premiums/discounts | Amortization of deferred financing costs, net (1) | Mortgage notes payable, net as of December 31, 2018 |
|------------------------|---|------------------|----------------------|--------------------------------|------------------------------------|---|---|
| Fixed Rate Debt:       |   |                  |                      |                                |                                    |   |   |
| Secured – Conventional | \$ 2,982,344  | \$ —             | \$(1,093,705)        | \$ (6,029)                     | \$ 719                             | \$ 2,078  | \$ 1,885,407  |
| Floating Rate Debt:    |   |                  |                      |                                |                                    |   |   |
| Secured – Conventional | 6,948   | —                | —                    | (600)                          | —                                  | 9   | 6,357   |
| Secured – Tax Exempt   | 629,430   | 96,935           | (2) (254,234)        | —                              | 19,425                             | 2,150   | 493,706   |
| Floating Rate Debt     | 636,378   | 96,935           | (254,234)            | (600)                          | 19,425                             | 2,159   | 500,063   |
| Total                  | <u>\$ 3,618,722</u>                                 | <u>\$ 96,935</u> | <u>\$(1,347,939)</u> | <u>\$ (6,629)</u>              | <u>\$ 20,144</u>                   | <u>\$ 4,237</u>                                   | <u>\$ 2,385,470</u>                                 |

- (1) Represents amortization of deferred financing costs, net of debt financing costs.
- (2) Reissued floating rate tax-exempt mortgage bonds which mature on April 1, 2042, remarket weekly and are guaranteed by ERPOP.

The following table summarizes the Company's debt extinguishment costs on mortgages recorded as additional interest expense during the years ended December 31, 2019 and 2018, respectively (amounts in thousands):

| Description  | 2019             | 2018             |
|--|------------------|------------------|
| Prepayment premiums/penalties                      | \$ 3,381         | \$ 22,110        |
| Write-offs of unamortized deferred financing costs | 2,273            | 2,957            |
| Write-offs of unamortized (premiums)/discounts/OCI | 6,153            | 16,268           |
| Total  | <u>\$ 11,807</u> | <u>\$ 41,335</u> |

The following table summarizes certain interest rate and maturity date information as of and for the years ended December 31, 2019 and 2018, respectively:

|                                | December 31, 2019 | December 31, 2018 |
|--------------------------------|-------------------|-------------------|
| Interest Rate Ranges           | 0.10% - 5.29%     | 0.10% - 6.90%     |
| Weighted Average Interest Rate | 3.84%             | 4.15%             |
| Maturity Date Ranges           | 2020-2061         | 2019-2061         |

As of December 31, 2019 and 2018, the Company had \$281.7 million and \$440.7 million, respectively, of secured debt (primarily tax-exempt bonds) subject to third party credit enhancement.

The historical cost, net of accumulated depreciation, of encumbered properties was \$2.7 billion and \$3.2 billion at December 31, 2019 and 2018, respectively.

#### Notes

The following tables summarize the Company's notes activity for the years ended December 31, 2019 and 2018, respectively (amounts in thousands):

|                     | Notes, net as of<br>December 31, 2018 | Proceeds            | Lump sum<br>payoffs   | Realized/unrealized<br>(gain) loss on<br>derivative<br>instruments | Amortization<br>of premiums/<br>discounts | Amortization<br>of deferred<br>financing<br>costs, net (1) | Notes, net as of<br>December 31, 2019 |
|---------------------|---------------------------------------|---------------------|-----------------------|--|---|--|---------------------------------------|
| Fixed Rate Debt:    |                                       |                     |                       |  |   |  |                                       |
| Unsecured – Public  | \$ 5,485,884                          | \$ 1,194,468 (2)    | \$ (600,000)          | \$ —   | \$ 3,117                                  | \$ (5,956)   | \$ 6,077,513                          |
| Floating Rate Debt: |                                       |                     |                       |  |   |  |                                       |
| Unsecured – Public  | 447,402                               | —                   | (450,000)             | 2,277  | 45  | 276  | —                                     |
| Total               | <u>\$ 5,933,286</u>                   | <u>\$ 1,194,468</u> | <u>\$ (1,050,000)</u> | <u>\$ 2,277</u>  | <u>\$ 3,162</u>                           | <u>\$ (5,680)</u>  | <u>\$ 6,077,513</u>                   |

- (1) Represents amortization of deferred financing costs, net of debt financing costs.
- (2) Issued \$600.0 million of ten-year 3.00% unsecured notes, receiving net proceeds of approximately \$597.5 million before underwriting fees, hedge termination costs and other expenses. Additionally, issued \$600.0 million of ten-year 2.50% unsecured notes, receiving net proceeds of approximately \$597.0 million before underwriting fees and other expenses.

|                        | Notes, net as of<br>December 31, 2017 | Proceeds          | Realized/unrealized<br>(gain) loss on<br>derivative<br>instruments | Amortization<br>of premiums/<br>discounts | Amortization<br>of deferred<br>financing<br>costs, net (1) | Notes, net as of<br>December 31, 2018 |
|------------------------|---------------------------------------|-------------------|--|---|--|---------------------------------------|
| Fixed Rate Debt:       |                                       |                   |  |   |  |                                       |
| Unsecured – Public     | \$ 4,591,373                          | \$ 896,294 (2)    | \$ —   | \$ 2,547                                  | \$ (4,330)   | \$ 5,485,884                          |
| Floating Rate Debt:    |                                       |                   |  |   |  |                                       |
| Unsecured – Public (3) | 447,439                               | —                 | (680)  | 90  | 553  | 447,402                               |
| Total                  | <u>\$ 5,038,812</u>                   | <u>\$ 896,294</u> | <u>\$ (680)</u>  | <u>\$ 2,637</u>                           | <u>\$ (3,777)</u>  | <u>\$ 5,933,286</u>                   |

- (1) Represents amortization of deferred financing costs, net of debt financing costs.
- (2) 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. Additionally, 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.
- (3) Fair value interest rate swaps converted the \$450.0 million 2.375% notes due July 1, 2019 to a floating interest rate of 90-Day LIBOR plus 0.61%.

The following table summarizes the Company's debt extinguishment costs on notes recorded as additional interest expense during the years ended December 31, 2019 and 2018, respectively (amounts in thousands):

| Description  | 2019             | 2018        |
|--|------------------|-------------|
| Prepayment premiums/penalties                      | \$ 10,266        | \$ —        |
| Write-offs of unamortized deferred financing costs | 287              | —           |
| Write-offs of unamortized (premiums)/discounts/OCI | 1,043            | —           |
| Total  | <u>\$ 11,596</u> | <u>\$ —</u> |

The following table summarizes certain interest rate and maturity date information as of and for the years ended December 31, 2019 and 2018, respectively:

|                                | <b>December 31, 2019</b> | <b>December 31, 2018</b> |
|--------------------------------|--------------------------|--------------------------|
| Interest Rate Ranges           | 2.50% - 7.57%            | 2.85% - 7.57%            |
| Weighted Average Interest Rate | 4.21%                    | 4.25%                    |
| Maturity Date Ranges           | 2021-2047                | 2019-2047                |

The Company's unsecured public notes contain certain financial and operating covenants including, among other things, maintenance of certain financial ratios. The Company was in compliance with its unsecured public debt covenants for both the years ended December 31, 2019 and 2018.

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 in June 2019 and expires in June 2022.

#### *Line of Credit and Commercial Paper*

On November 1, 2019, the Company replaced its existing \$2.0 billion facility with a \$2.5 billion unsecured revolving credit facility maturing November 1, 2024. The Company has the ability to increase available borrowings by an additional \$750.0 million by adding lenders to the facility, obtaining the agreement of existing lenders to increase their commitments or incurring one or more term loans. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 0.775%), or based on bids received from the lending group, and the Company pays a quarterly facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating. Weighted average interest rates on the revolving credit facility were 3.12% and 2.97% for the years ended December 31, 2019 and 2018, respectively.

The Company has an unsecured commercial paper note program in the United States. On November 4, 2019, the Company increased the maximum aggregate amount outstanding for the commercial paper program from \$500.0 million to \$1.0 billion. The notes will be sold under customary terms in the United States commercial paper note market subject to market conditions and will rank pari passu with all of the Company's other unsecured senior indebtedness. The notes bear interest at various floating rates with a weighted average interest rate of 2.42% and 2.35% for the years ended December 31, 2019 and 2018, respectively, and a weighted average maturity of 40 days and 22 days as of December 31, 2019 and 2018, respectively. The weighted average amount outstanding for the years ended December 31, 2019 and 2018 was approximately \$434.4 million and \$397.3 respectively.

The Company limits its utilization of the revolving credit facility in order to maintain liquidity to support its \$1.0 billion commercial paper program (\$500.0 million at December 31, 2018) along with certain other obligations. The following table presents the availability on the Company's unsecured revolving credit facility as of December 31, 2019 and 2018 (amounts in thousands):

|   | <b>December 31, 2019</b> | <b>December 31, 2018</b> |
|---|--------------------------|--------------------------|
| Unsecured revolving credit facility commitment          | \$ 2,500,000             | \$ 2,000,000             |
| Commercial paper balance outstanding                    | (1,000,000)              | (500,000)                |
| Unsecured revolving credit facility balance outstanding | (20,000)                 | —                        |
| Other restricted amounts                                | (100,929)                | (103,622)                |
| Unsecured revolving credit facility availability        | <u>\$ 1,379,071</u>      | <u>\$ 1,396,378</u>      |

The following table summarizes the Company's debt extinguishment costs on the line of credit recorded as additional interest expense during the years ended December 31, 2019 and 2018, respectively (amounts in thousands):

| <b>Description</b>                                 | <b>2019</b>   | <b>2018</b> |
|--|---------------|-------------|
| Write-offs of unamortized deferred financing costs | \$ 588        | \$ —        |
| Total  | <u>\$ 588</u> | <u>\$ —</u> |

### *Debt Maturity Table*

The following table provides a summary of the aggregate payments of principal on all debt for each of the next five years and thereafter as of December 31, 2019 (amounts in thousands):

| Year  | Total               |
|---|---------------------|
| 2020 (1)  | \$ 1,027,542        |
| 2021  | 926,404             |
| 2022  | 271,835             |
| 2023  | 1,329,088           |
| 2024  | 26,100              |
| Thereafter  | 5,550,010           |
| Subtotal  | 9,130,979           |
| Deferred Financing Costs and Unamortized (Discount) | (94,023)            |
| Total   | <u>\$ 9,036,956</u> |

(1) Includes \$1.0 billion in principal outstanding on the Company's commercial paper program.

## **10. Derivative and Other Fair Value 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 may seek 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.

A three-level valuation hierarchy exists for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's derivative positions are valued using models developed by the respective counterparty as well as models applied internally by the Company that use as their inputs readily observable market parameters (such as forward yield curves and credit default swap data). Employee holdings other than Common Shares within the supplemental executive retirement plan (the "SERP") are valued using quoted market prices for identical assets and are included in other assets and other liabilities on the consolidated balance sheets. Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners are valued using the quoted market price of Common Shares. The fair values disclosed for mortgage notes payable and unsecured debt (including its commercial paper and line of credit, if applicable) were calculated using indicative rates provided by lenders of similar loans in the case of mortgage notes payable and the private unsecured debt (including its commercial paper and line of credit, if applicable) and quoted market prices for each underlying issuance in the case of the public unsecured notes.



The fair values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, commercial paper, line of credit and derivative instruments), including cash and cash equivalents and other financial instruments, approximate their carrying or contract value. The following table provides a summary of the carrying and fair values for the Company's mortgage notes payable and unsecured debt (including its commercial paper and line of credit, if applicable) at December 31, 2019 and 2018, respectively (amounts in thousands):

|                             | December 31, 2019   |                                | December 31, 2018   |                                |
|-----------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
|                             | Carrying Value      | Estimated Fair Value (Level 2) | Carrying Value      | Estimated Fair Value (Level 2) |
| Mortgage notes payable, net | \$ 1,941,610        | \$ 1,930,710                   | \$ 2,385,470        | \$ 2,352,502                   |
| Unsecured debt, net         | 7,095,346           | 7,677,289                      | 6,432,469           | 6,481,426                      |
| Total debt, net             | <u>\$ 9,036,956</u> | <u>\$ 9,607,999</u>            | <u>\$ 8,817,939</u> | <u>\$ 8,833,928</u>            |

The following tables provide a summary of the fair value measurements for each major category of assets and liabilities measured at fair value on a recurring basis and the location within the accompanying consolidated balance sheets at December 31, 2019 and 2018, respectively (amounts in thousands):

| Description   | Balance Sheet Location | 12/31/2019 | Fair Value Measurements at Reporting Date Using                            |   |   |
|---|------------------------|------------|--|---|---|
|   |                        |            | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <i>Assets</i>   |                        |            |  |   |   |
| Supplemental Executive Retirement Plan  | Other Assets           | \$ 151,889 | \$ 151,889   | \$ —  | \$ —                                      |
| <i>Liabilities</i>  |                        |            |  |   |   |
| Supplemental Executive Retirement Plan  | Other Liabilities      | \$ 151,889 | \$ 151,889   | \$ —  | \$ —                                      |
| Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners |                        |            |  |   |   |
|   | Mezzanine              | \$ 463,400 | \$ —   | \$ 463,400                                    | \$ —                                      |

| Description                                    | Balance Sheet Location | 12/31/2018        | Fair Value Measurements at Reporting Date Using                            |   |   |
|--|------------------------|-------------------|--|---|---|
|  |                        |                   | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b><i>Assets</i></b>                           |                        |                   |  |   |   |
| Derivatives designated as hedging instruments: |                        |                   |  |   |   |
| Interest Rate Contracts:                       |                        |                   |  |   |   |
| Forward Starting Swaps                         | Other Assets           | \$ 2,000          | \$ —   | \$ 2,000                                      | \$ —                                      |
| Supplemental Executive Retirement Plan         | Other Assets           | 134,088           | 134,088  | —   | —   |
| Total  |                        | <u>\$ 136,088</u> | <u>\$ 134,088</u>  | <u>\$ 2,000</u>                               | <u>\$ —</u>                               |
| <b><i>Liabilities</i></b>                      |                        |                   |  |   |   |
| Derivatives designated as hedging instruments: |                        |                   |  |   |   |
| Interest Rate Contracts:                       |                        |                   |  |   |   |
| Fair Value Hedges                              | Other Liabilities      | \$ 2,277          | \$ —   | \$ 2,277                                      | \$ —                                      |
| Forward Starting Swaps                         | Other Liabilities      | 9,851             | —  | 9,851   | —   |
| Supplemental Executive Retirement Plan         | Other Liabilities      | 134,088           | 134,088  | —   | —   |
| Total  |                        | <u>\$ 146,216</u> | <u>\$ 134,088</u>  | <u>\$ 12,128</u>                              | <u>\$ —</u>                               |
| Redeemable Noncontrolling Interests –          |                        |                   |  |   |   |
| Operating Partnership/Redeemable               |                        |                   |  |   |   |
| Limited Partners                               | Mezzanine              | \$ 379,106        | \$ —   | \$ 379,106                                    | \$ —                                      |

The following tables provide a summary of the effect of fair value hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the years ended December 31, 2019, 2018 and 2017, respectively (amounts in thousands):

| December 31, 2019<br>Type of Fair Value Hedge  | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Hedged Item     | Income Statement<br>Location of<br>Hedged Item<br>Gain/(Loss) | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Hedged Item |
|--|--|--|-----------------|---|---|
| Derivatives designated as hedging instruments: |  |  |                 |   |   |
| Interest Rate Contracts:                       |  |  |                 |   |   |
| Interest Rate Swaps                            | Interest expense   | \$ 2,277   | Fixed rate debt | Interest expense  | \$ (2,277)  |
| Total  |  | <u>\$ 2,277</u>  |                 |   | <u>\$ (2,277)</u>   |

| December 31, 2018<br>Type of Fair Value Hedge  | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Hedged Item     | Income Statement<br>Location of<br>Hedged Item<br>Gain/(Loss) | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Hedged Item |
|--|--|--|-----------------|---|---|
| Derivatives designated as hedging instruments: |  |  |                 |   |   |
| Interest Rate Contracts:                       |  |  |                 |   |   |
| Interest Rate Swaps                            | Interest expense   | \$ (680)   | Fixed rate debt | Interest expense  | \$ 680  |
| Total  |  | <u>\$ (680)</u>  |                 |   | <u>\$ 680</u>   |

| December 31, 2017<br>Type of Fair Value Hedge  | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Hedged Item     | Income Statement<br>Location of<br>Hedged Item<br>Gain/(Loss) | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Hedged Item |
|--|--|--|-----------------|---|---|
| Derivatives designated as hedging instruments: |  |  |                 |   |   |
| Interest Rate Contracts:                       |  |  |                 |   |   |
| Interest Rate Swaps                            | Interest expense   | \$ (3,454)   | Fixed rate debt | Interest expense  | \$ 3,454  |
| Total  |  | <u>\$ (3,454)</u>  |                 |   | <u>\$ 3,454</u>   |

The following tables provide a summary of the effect of cash flow hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the years ended December 31, 2019, 2018 and 2017, respectively (amounts in thousands):

| December 31, 2019<br>Type of Cash Flow Hedge   | Effective Portion  |   |   |
|--|--|---|---|
|  | Amount of<br>Gain/(Loss)<br>Recognized in OCI<br>on Derivative | Location of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated OCI<br>into Income | Amount of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated<br>OCI into Income |
| Derivatives designated as hedging instruments: |  |   |   |
| Interest Rate Contracts:                       |  |   |   |
| Forward Starting Swaps                         | \$ (33,765)  | Interest expense  | \$ (21,188)   |
| Total  | <u>\$ (33,765)</u>   |   | <u>\$ (21,188)</u>  |

| December 31, 2018<br>Type of Cash Flow Hedge   | Effective Portion  |   |   | Ineffective Portion  |   |
|--|--|---|---|--|---|
|  | Amount of<br>Gain/(Loss)<br>Recognized in OCI<br>on Derivative | Location of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated OCI<br>into Income | Amount of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated<br>OCI into Income | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated<br>OCI into Income |
| Derivatives designated as hedging instruments: |  |   |   |  |   |
| Interest Rate Contracts:                       |  |   |   |  |   |
| Forward Starting Swaps                         | \$ 5,124   | Interest expense  | \$ (18,452)   | N/A  | \$ —  |
| Total  | <u>\$ 5,124</u>  |   | <u>\$ (18,452)</u>  |  | <u>\$ —</u>   |

| December 31, 2017<br>Type of Cash Flow Hedge   | Effective Portion  |   |   | Ineffective Portion  |   |
|--|--|---|---|--|---|
|  | Amount of<br>Gain/(Loss)<br>Recognized in OCI<br>on Derivative | Location of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated OCI<br>into Income | Amount of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated<br>OCI into Income | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Reclassified from<br>Accumulated<br>OCI into Income |
| Derivatives designated as hedging instruments: |  |   |   |  |   |
| Interest Rate Contracts:                       |  |   |   |  |   |
| Forward Starting Swaps                         | \$ 6,439   | Interest expense  | \$ (18,858)   | N/A  | \$ —  |
| Total  | <u>\$ 6,439</u>  |   | <u>\$ (18,858)</u>  |  | <u>\$ —</u>   |

As of December 31, 2019 and 2018, there were approximately \$77.6 million and \$65.0 million in deferred losses, net, included in accumulated other comprehensive income (loss), respectively, related to derivative instruments, of which an estimated \$24.9 million may be recognized as additional interest expense during the twelve months ending December 31, 2020.

In July 2019, six fair value interest rate swaps matured in conjunction with the maturity of \$450.0 million of 2.375% unsecured notes.

In June 2019, the Company paid approximately \$41.8 million to settle ten forward starting swaps in conjunction with the issuance of \$600.0 million of ten-year unsecured public notes. The accrued interest of approximately \$0.2 million was recorded as an increase to interest expense. The remaining \$41.6 million will be deferred as a component of accumulated other comprehensive income (loss) and will be recognized as an increase to interest expense over the first nine years and eleven months of the notes.

In November 2018, the Company received approximately \$16.4 million to settle six forward starting swaps in conjunction with the issuance of \$400.0 million of ten-year unsecured public notes. The accrued interest of approximately \$120,000 was recorded as an increase to interest expense. The remaining \$16.5 million will be deferred as a component of accumulated other comprehensive income (loss) and will be recognized as a decrease to interest expense over the first nine years and nine months of the notes.

In February 2018, the Company received approximately \$1.6 million to settle two forward starting swaps in conjunction with the issuance of \$500.0 million of ten-year unsecured public notes. The entire \$1.6 million was initially deferred as a component of accumulated other comprehensive income (loss) and will be recognized as a decrease to interest expense over the ten-year term of the notes.

In August 2017, the Company received \$1.3 million to settle four forward starting swaps in conjunction with the issuance of \$400.0 million of ten-year fixed rate public notes. The entire \$1.3 million was initially deferred as a component of accumulated other comprehensive income (loss) and will be recognized as a decrease to interest expense over the ten-year term of the notes.

## 11. Earnings Per Share and Earnings Per Unit

### *Equity Residential*

The following tables set forth the computation of net income per share – basic and net income per share – diluted for the Company (amounts in thousands except per share amounts):

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2019                    | 2018              | 2017              |
| <b>Numerator for net income per share – basic:</b>                                      |                         |                   |                   |
| Net income  | \$ 1,009,708            | \$ 685,192        | \$ 628,381        |
| Allocation to Noncontrolling Interests – Operating Partnership                          | (36,034)                | (24,939)          | (22,604)          |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (3,297)                 | (2,718)           | (2,323)           |
| Preferred distributions   | (3,090)                 | (3,090)           | (3,091)           |
| Numerator for net income per share – basic  | <u>\$ 967,287</u>       | <u>\$ 654,445</u> | <u>\$ 600,363</u> |
| <b>Numerator for net income per share – diluted:</b>                                    |                         |                   |                   |
| Net income  | \$ 1,009,708            | \$ 685,192        | \$ 628,381        |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (3,297)                 | (2,718)           | (2,323)           |
| Preferred distributions   | (3,090)                 | (3,090)           | (3,091)           |
| Numerator for net income per share – diluted  | <u>\$ 1,003,321</u>     | <u>\$ 679,384</u> | <u>\$ 622,967</u> |
| <b>Denominator for net income per share – basic and diluted:</b>                        |                         |                   |                   |
| Denominator for net income per share – basic  | 370,461                 | 368,052           | 366,968           |
| Effect of dilutive securities:  |                         |                   |                   |
| OP Units  | 12,907                  | 12,869            | 12,901            |
| Long-term compensation shares/units   | 2,965                   | 2,774             | 2,809             |
| Denominator for net income per share – diluted  | <u>386,333</u>          | <u>383,695</u>    | <u>382,678</u>    |
| <b>Net income per share – basic</b>   | <u>\$ 2.61</u>          | <u>\$ 1.78</u>    | <u>\$ 1.64</u>    |
| <b>Net income per share – diluted</b>   | <u>\$ 2.60</u>          | <u>\$ 1.77</u>    | <u>\$ 1.63</u>    |

### *ERP Operating Limited Partnership*

The following tables set forth the computation of net income per Unit – basic and net income per Unit – diluted for the Operating Partnership (amounts in thousands except per Unit amounts):

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>Numerator for net income per Unit – basic and diluted:</b>  |                         |                   |                   |
| Net income   | \$ 1,009,708            | \$ 685,192        | \$ 628,381        |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties                        | (3,297)                 | (2,718)           | (2,323)           |
| Allocation to Preference Units   | (3,090)                 | (3,090)           | (3,091)           |
| Numerator for net income per Unit – basic and diluted  | <u>\$ 1,003,321</u>     | <u>\$ 679,384</u> | <u>\$ 622,967</u> |
| <b>Denominator for net income per Unit – basic and diluted:</b>  |                         |                   |                   |
| Denominator for net income per Unit – basic  | 383,368                 | 380,921           | 379,869           |
| Effect of dilutive securities:   |                         |                   |                   |
| Dilution for Units issuable upon assumed exercise/vesting of the Company's long-term compensation shares/units | 2,965                   | 2,774             | 2,809             |
| Denominator for net income per Unit – diluted  | <u>386,333</u>          | <u>383,695</u>    | <u>382,678</u>    |
| <b>Net income per Unit – basic</b>   | <u>\$ 2.61</u>          | <u>\$ 1.78</u>    | <u>\$ 1.64</u>    |
| <b>Net income per Unit – diluted</b>   | <u>\$ 2.60</u>          | <u>\$ 1.77</u>    | <u>\$ 1.63</u>    |

## 12. Share Incentive Plans

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. See Note 2 for additional information regarding the Company's share-based compensation.

## Overview of Share Incentive Plans

The 2019 Share Incentive Plan (the “2019 Plan”), as approved by the Company’s shareholders on June 27, 2019, expires on June 27, 2029 and reserves 11,331,958 Common Shares for issuance. All future awards will be granted under the 2019 Plan. As of December 31, 2019, 11,328,266 shares were available for future issuance.

Pursuant to the 2019 Plan, the 2011 Share Incentive Plan (the “2011 Plan”) and the 2002 Share Incentive Plan (the “2002 Plan”), as restated and amended (collectively the “Share Incentive Plans”), officers, trustees, key employees and consultants of the Company and its subsidiaries may be granted share options to acquire Common Shares (“Options”), including non-qualified share options (“NQSOs”), incentive share options (“ISOs”) and share appreciation rights (“SARs”), or may be granted restricted or non-restricted shares/units (including long-term incentive plan awards), subject to conditions and restrictions. Options, SARs, restricted shares and restricted units are sometimes collectively referred to herein as “Awards”.

The 2011 Plan and the 2002 Plan, as restated and amended, will both terminate when all outstanding Awards have expired or have been exercised/vested. The Board of Trustees may at any time amend or terminate the Share Incentive Plans, but termination will not affect Awards previously granted, absent immediate vesting and cash settlement. Any Options which had vested prior to such a termination would remain exercisable by the holder.

## Employee Long-Term Compensation Awards

The following table summarizes the terms of Awards generally granted to employees:

|                                  | Options   | Restricted Shares   | Restricted Units  |
|----------------------------------|---|---|---|
| <b>Overview</b>                  | Options exercised after vesting result in issuance of new Common Shares.  | Restricted shareholders generally have the same voting rights and receive quarterly dividend payments on their shares at the same rate and on the same date as any other Common Share holder (1). | When certain conditions are met, restricted units convert into an equal number of OP Units, which the holder may exchange for Common Shares on a one-for-one basis or at the option of the Company the cash value of such shares. Restricted unitholders receive quarterly distribution payments on their restricted units at the same rate and on the same date as any other OP Unit holder (1). |
| <b>Grant/Exercise Price</b>      | Granted at the fair market value of Common Shares as of the grant date.   | Granted at the fair market value of Common Shares as of the grant date.   | Granted at varying discount rates to the fair market value of Common Shares as of the grant date (2).   |
| <b>Vesting Period</b>            | In three equal installments over a three-year period from the grant date. | Three years from the grant date.  | Three years from the grant date.  |
| <b>Expiration</b>                | Ten years from the grant date.  | Not applicable.   | Ten years from the grant date (2).  |
| <b>Upon Employee Termination</b> | Unvested options are canceled.  | Unvested restricted shares are canceled.  | Unvested restricted units are canceled.   |

- (1) Dividends/distributions paid on unvested restricted shares and units are included as a component of retained earnings and Noncontrolling Interest – Operating Partnership/Limited Partners Capital, respectively, and have not been considered in reducing net income available to Common Shares/Units in a manner similar to the Company’s preferred share/preference unit dividends for the earnings per share/Unit calculation.
- (2) A restricted unit will automatically convert to an OP Unit when the capital account of each restricted unit increases (“books-up”) to a specified target. The probability of a book-up occurring within the ten-year contractual life along with the liquidity risk associated with various hold period restrictions are both reflected in the discount. If the capital target is not attained within ten years following the date of issuance, the restricted unit will automatically be canceled and no compensation will be payable to the holder of such canceled restricted unit. If the capital target is attained and the restricted unit is converted to an OP Unit, it will not expire.

### *Long Term Incentive Plan*

The Company's executive compensation program allows the Chairman, Chief Executive Officer and certain other Executive Officers to earn from 0% to 200% of the target number of long-term incentive ("LTI") awards, payable in the form of restricted shares and/or restricted units. The Company's Total Shareholder Return ("TSR") and Normalized Funds from Operations ("FFO") results over a forward-looking three-year performance period determine the restricted shares and/or restricted units awarded and are compared to pre-established quantitative performance metrics. The grant date fair value of the awards is estimated using a Monte Carlo model for the TSR portion of the awards and the resulting expense is recorded over the service period regardless of whether the TSR performance measures are achieved and the Normalized FFO portion of the awards is adjusted based on the final achievement obtained. If the executive is retirement-eligible, the grant date fair value is amortized into expense over the first year. All other awards are amortized into expense over the three year performance and vesting period.

The LTI participants receive distributions on only restricted units awarded equal to 10% of the quarterly distributions paid on OP Units during the performance period. At the end of the performance period, LTI participants receive dividends/distributions actually earned on restricted shares or restricted units awarded during the performance period, less any distributions already paid on the restricted units. No payout would be made for any return below 50% of the target performance metric. If employment is terminated prior to vesting, the restricted shares and restricted units are generally canceled.

### *Trustees*

All Trustees, with the exception of the Company's Chairman and employee Trustees, are granted Options, restricted shares and/or restricted units that vest one-year from the grant date that corresponds to the term for which he or she has been elected to serve. Since 2016, the Chairman has only received awards under the LTI plan (see further discussion above).

### *Retirement Benefits*

The Company's Share Incentive Plans provide for certain benefits upon retirement. The following table summarizes the terms of each retirement eligibility category.

|   | Age 62 for Employees  | Rule of 70 for Employees   | Age 72 for Trustees  |
|---|---|--|--|
| <b>Eligibility</b>  | For employees hired prior to January 1, 2009 and who were age 59 or older as of February 1, 2019.   | All employees (1).   | All non-employee Trustees.   |
| <b>Effect on unvested restricted shares, restricted units and Options</b> | Awards immediately vest and Options continue to be exercisable for the balance of the applicable ten-year option period.  | Awards continue to vest per the original vesting schedule, subject to certain conditions, and Options continue to be exercisable for the balance of the applicable ten-year option period. | Awards immediately vest and Options continue to be exercisable for the balance of the applicable ten-year option period. |
| <b>Effect on LTI Plan</b>   | Awards are prorated in proportion to the number of days worked in the first year of the three-year performance period and the individual does not receive any payout of shares or units until the final payout is determined at the end of the three-year performance period. |  |  |

- (1) The Rule of 70 is met when an employee's years of service with the Company (which must be at least 15 years) plus his or her age (which must be at least 55 years) on the date of termination equals or exceeds 70 years. In addition, the employee must give the Company at least six months' advance written notice of his or her intention to retire along with agreeing to certain other conditions.

Under the Company's definitions of retirement, some of its executive officers and its Chairman are retirement eligible.

### Compensation Expense and Award Activity

The following tables summarize compensation information regarding the restricted shares, restricted units, Options and Employee Share Purchase Plan (“ESPP”) for the three years ended December 31, 2019, 2018 and 2017.

|                       | Year Ended December 31, 2019 |                          |   |                     |                    |
|-----------------------|------------------------------|--------------------------|---|---------------------|--------------------|
|                       | Compensation Expense         | Compensation Capitalized | Restricted Units/Options In-Lieu of Bonus (1) | Compensation Equity | Dividends Incurred |
| Restricted shares (2) | \$ 11,522                    | \$ 916                   | \$ —  | \$ 12,438           | \$ 979             |
| Restricted units (2)  | 9,905                        | 240                      | 3,265   | 13,410              | 825                |
| Options               | 2,420                        | 254                      | 1   | 2,675               | —                  |
| ESPP discount         | 602                          | 40                       | —   | 642                 | —                  |
| Total                 | <u>\$ 24,449</u>             | <u>\$ 1,450</u>          | <u>\$ 3,266</u>                               | <u>\$ 29,165</u>    | <u>\$ 1,804</u>    |

|                       | Year Ended December 31, 2018 |                          |   |                     |                    |
|-----------------------|------------------------------|--------------------------|---|---------------------|--------------------|
|                       | Compensation Expense         | Compensation Capitalized | Restricted Units/Options In-Lieu of Bonus (1) | Compensation Equity | Dividends Incurred |
| Restricted shares (2) | \$ 7,406                     | \$ 852                   | \$ —  | \$ 8,258            | \$ 754             |
| Restricted units (2)  | 12,310                       | 36                       | 1,663   | 14,009              | 963                |
| Options               | 6,683                        | 296                      | 2,755   | 9,734               | —                  |
| ESPP discount         | 733                          | 34                       | —   | 767                 | —                  |
| Total                 | <u>\$ 27,132</u>             | <u>\$ 1,218</u>          | <u>\$ 4,418</u>                               | <u>\$ 32,768</u>    | <u>\$ 1,717</u>    |

|                       | Year Ended December 31, 2017 |                          |   |                     |                    |
|-----------------------|------------------------------|--------------------------|---|---------------------|--------------------|
|                       | Compensation Expense         | Compensation Capitalized | Restricted Units/Options In-Lieu of Bonus (1) | Compensation Equity | Dividends Incurred |
| Restricted shares (2) | \$ 9,209                     | \$ 568                   | \$ —  | \$ 9,777            | \$ 761             |
| Restricted units (2)  | 10,214                       | 119                      | 190   | 10,523              | 741                |
| Options               | 4,893                        | 323                      | 1,619   | 6,835               | —                  |
| ESPP discount         | 681                          | 66                       | —   | 747                 | —                  |
| Total                 | <u>\$ 24,997</u>             | <u>\$ 1,076</u>          | <u>\$ 1,809</u>                               | <u>\$ 27,882</u>    | <u>\$ 1,502</u>    |

- (1) The Company allows eligible officers the ability to receive immediately vested restricted units (subject to the book-up provisions described above and a two-year hold restriction) or immediately vested Options in-lieu of any percentage of their annual cash bonus.
- (2) Includes LTI plan awards granted under the executive compensation program.

Compensation expense is generally recognized for Awards as follows:

- Restricted shares, restricted units and Options – Straight-line method over the vesting period of the Options, shares or units regardless of cliff or ratable vesting distinctions.
- LTI plan awards – Target amount is recognized under the straight-line method over the vesting period of the shares or units regardless of cliff or ratable vesting distinctions.
- ESPP discount – Immediately upon the purchase of Common Shares each quarter.

The Company accelerates the recognition of compensation expense for all Awards for those individuals approaching or meeting the retirement age criteria discussed above. The total compensation expense related to Awards not yet vested at December 31, 2019 is \$8.9 million (including the accelerated expenses for individuals approaching or meeting the retirement age criteria discussed above), which is expected to be recognized over a weighted average term of 1.35 years.



The tables below summarize the Award activity of the Share Incentive Plans for the three years ended December 31, 2019, 2018 and 2017:

|                                     | Common<br>Shares Subject<br>to Options | Weighted<br>Average<br>Exercise Price<br>per Option | Restricted<br>Shares | Weighted<br>Average Fair<br>Value per<br>Restricted Share | Restricted<br>Units | Weighted<br>Average Fair<br>Value per<br>Restricted Unit |
|-------------------------------------|--|---|----------------------|---|---------------------|--|
| Balance at December 31, 2016        | 6,023,101                              | \$ 42.05  | 452,034              | \$ 70.35  | 802,257             | \$ 75.26   |
| Awards granted (1) (5)              | 1,337,898                              | \$ 60.88  | 93,867               | \$ 61.94  | 291,921             | \$ 68.57   |
| Awards exercised/vested (2) (3) (4) | (846,137)                              | \$ 37.26  | (165,744)            | \$ 58.04  | (192,644)           | \$ 54.16   |
| Awards forfeited                    | (27,547)                               | \$ 61.85  | (10,416)             | \$ 72.44  | (274)               | \$ 75.50   |
| Awards expired                      | (3,483)                                | \$ 65.91  | —                    | —   | —                   | —  |
| Balance at December 31, 2017        | 6,483,832                              | \$ 46.46  | 369,741              | \$ 73.67  | 901,260             | \$ 77.61   |
| Awards granted (1) (5)              | 1,730,942                              | \$ 60.40  | 129,303              | \$ 62.25  | 267,074             | \$ 61.60   |
| Awards exercised/vested (2) (3) (4) | (1,056,388)                            | \$ 29.05  | (194,116)            | \$ 77.32  | (28,486)            | \$ 55.50   |
| Awards forfeited                    | (38,133)                               | \$ 60.74  | (5,503)              | \$ 65.77  | —                   | \$ —   |
| Awards expired                      | (8,018)                                | \$ 59.70  | —                    | —   | —                   | —  |
| Balance at December 31, 2018        | 7,112,235                              | \$ 52.35  | 299,425              | \$ 66.52  | 1,139,848           | \$ 71.07   |
| Awards granted (1) (5)              | 234,147                                | \$ 72.10  | 163,799              | \$ 73.96  | 141,772             | \$ 67.22   |
| Awards exercised/vested (2) (3) (4) | (1,745,050)                            | \$ 44.72  | (151,321)            | \$ 75.41  | (422,784)           | \$ 70.77   |
| Awards forfeited                    | (30,489)                               | \$ 61.92  | (5,197)              | \$ 65.35  | (552)               | \$ 69.43   |
| Awards expired                      | (3,299)                                | \$ 40.39  | —                    | —   | —                   | —  |
| Balance at December 31, 2019        | <u>5,567,544</u>                       | <u>\$ 55.52</u>                                     | <u>306,706</u>       | <u>\$ 66.15</u>   | <u>858,284</u>      | <u>\$ 64.95</u>  |

- (1) The weighted average grant date fair value for Options granted during the years ended December 31, 2019, 2018 and 2017 was \$8.05 per share, \$6.17 per share and \$5.86 per share, respectively.
- (2) The aggregate intrinsic value of Options exercised during the years ended December 31, 2019, 2018 and 2017 was \$58.1 million, \$42.9 million and \$25.6 million, respectively. These values were calculated as the difference between the strike price of the underlying awards and the per share price at which each respective award was exercised.
- (3) The fair value of restricted shares vested during the years ended December 31, 2019, 2018 and 2017 was \$11.1 million, \$11.5 million and \$10.2 million, respectively.
- (4) The fair value of restricted units vested during the years ended December 31, 2019, 2018 and 2017 was \$29.1 million, \$1.8 million and \$11.7 million, respectively.
- (5) Includes LTI plan awards granted under the executive compensation program.

The following table summarizes information regarding Options outstanding and exercisable at December 31, 2019 (aggregate intrinsic value is in thousands):

|                             | Options   | Weighted<br>Average<br>Remaining<br>Contractual Life<br>in Years | Weighted<br>Average<br>Exercise Price | Aggregate<br>Intrinsic<br>Value (1) |
|-----------------------------|-----------|--|---------------------------------------|-------------------------------------|
| Options Outstanding         | 5,567,544 | 5.30   | \$ 55.52                              | \$ 141,395                          |
| Options Exercisable         | 4,750,481 | 4.81   | \$ 54.13                              | \$ 127,277                          |
| Vested and expected to vest | 808,646   | 8.13   | \$ 63.60                              | \$ 14,005                           |

- (1) The aggregate intrinsic values were calculated as the excess, if any, between the Company's closing share price of \$80.92 per share on December 31, 2019 and the strike price of the underlying awards.

As of December 31, 2018 and 2017, 5,328,020 Options (with a weighted average exercise price of \$49.57) and 5,336,043 Options (with a weighted average exercise price of \$43.24) were exercisable, respectively.

### 13. Employee Plans

The Company established an Employee Share Purchase Plan to provide each employee and trustee the ability to annually acquire up to \$100,000 of Common Shares of EQR. The Company registered 7,000,000 Common Shares under the ESPP, of which 2,714,332 Common Shares remained available for purchase at December 31, 2019. The Common Shares may be purchased quarterly at a price equal to 85% of the lesser of: (a) the closing price for a share on the last day of such quarter; and (b) the greater of: (i) the closing price for a share on the first day of such quarter, and (ii) the average closing price for a share for all the business days in the quarter. The following table summarizes information regarding the Common Shares issued under the ESPP with the net proceeds noted below being contributed to ERPOP in exchange for OP Units (amounts in thousands except share and per share amounts):

|                       | Year Ended December 31, |                   |                   |
|-----------------------|-------------------------|-------------------|-------------------|
|                       | 2019                    | 2018              | 2017              |
| Shares issued         | 48,131                  | 75,414            | 68,286            |
| Issuance price ranges | \$59.56 – \$72.91       | \$47.80 – \$57.09 | \$52.79 – \$58.06 |
| Issuance proceeds     | \$3,116                 | \$3,879           | \$3,744           |

The Company established a defined contribution plan (the “401(k) Plan”) to provide retirement benefits for employees that meet minimum employment criteria. The Company matches dollar for dollar up to the first 4% of eligible compensation that a participant contributes to the 401(k) Plan for all employees except those defined as highly compensated employees, whose match is 3%. Participants are vested in the Company’s contributions over five years. The Company recognized an expense in the amount of \$5.0 million, \$4.9 million and \$4.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company established the SERP to provide certain officers and trustees an opportunity to defer a portion of their eligible compensation in order to save for retirement. The SERP is restricted to investments in Common Shares, certain marketable securities that have been specifically approved and cash equivalents. The deferred compensation liability represented in the SERP and the securities issued to fund such deferred compensation liability are consolidated by the Company and carried on the Company’s balance sheets, and the Company’s Common Shares held in the SERP are accounted for as a reduction to paid in capital (included in general partner’s capital in the Operating Partnership’s financial statements).

### 14. Distribution Reinvestment Plan

On September 30, 2014, the Company filed with the SEC a Form S-3 Registration Statement to register 4,790,000 Common Shares pursuant to a Distribution Reinvestment Plan (the “2014 DRIP”), which included the remaining shares available for issuance under a previous registration. The registration was automatically declared effective the same day and will expire when all 4,790,000 shares have been issued. The Company has 4,664,977 Common Shares available for issuance under the 2014 DRIP at December 31, 2019.

The 2014 DRIP provides holders of record and beneficial owners of Common Shares and Preferred Shares with a simple and convenient method of reinvesting cash dividends/distributions in additional Common Shares. Common Shares purchased under the 2014 DRIP may, at the option of EQR, be directly issued by EQR or purchased by EQR’s transfer agent in the open market using participants’ funds. The net proceeds from any Common Share issuances are contributed to ERPOP in exchange for OP Units.

### 15. Transactions with Related Parties

The Company leases its corporate headquarters from an entity affiliated with EQR’s Chairman of the Board of Trustees. The lease term expires on November 30, 2032 and contains two five-year extension options. The amount incurred for such office space for the years ended December 31, 2019, 2018 and 2017 were approximately \$2.6 million, \$2.5 million and \$2.8 million, respectively. The Company believes these amounts approximate market rates for such rental space.

### 16. Commitments and Contingencies

The Company, as an owner of real estate, is subject to various Federal, state and local environmental laws. Compliance by the Company with existing laws has not had a material adverse effect on the Company. However, the Company cannot predict the impact of new or changed laws or regulations on its current properties or on properties that it may acquire in the future.

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.

As of December 31, 2019, the Company has two wholly owned projects and one partially owned project totaling 824 apartment units in various stages of development with remaining commitments to fund of approximately \$421.2 million (inclusive of applicable construction mortgage and joint venture partner obligations) and estimated completion dates ranging through September 30, 2021, as well as other completed development projects that are in various stages of lease-up or are stabilized.

As of December 31, 2019, the Company has two joint venture agreements with third party partners for the consolidated development of multifamily rental properties. The development commitment to fund the project under construction is included in the development funding totals above for one of the joint ventures. The joint venture agreements with each partner include a buy-sell provision that provides the right, but not the obligation, for the Company to acquire each respective partner's interests or sell its interests at any time following the occurrence of certain pre-defined events described in the joint venture agreements. See Note 6 for additional discussion.

The Company has entered into a retirement benefits agreement with its Chairman and deferred compensation agreements with other former executive officers. During the years ended December 31, 2019, 2018 and 2017, the Company recognized compensation expense of \$0.4 million, \$0.3 million and \$0.4 million, respectively, related to these agreements.

The following table summarizes the Company's contractual obligations for deferred compensation for the next five years and thereafter as of December 31, 2019:

|                              | (Payments)/Receipts Due by Year (in thousands) |            |            |          |          |            |            |
|------------------------------|--|------------|------------|----------|----------|------------|------------|
|                              | 2020   | 2021       | 2022       | 2023     | 2024     | Thereafter | Total      |
| Other Long-Term Liabilities: |  |            |            |          |          |            |            |
| Deferred Compensation (1)    | \$ (761)                                       | \$ (1,116) | \$ (1,116) | \$ (991) | \$ (709) | \$ (3,897) | \$ (8,590) |

(1) Estimated payments to the Company's Chairman and one former executive officer based on actual and estimated retirement dates.

## 17. Reportable Segments

Operating segments are defined as components of an enterprise that engage in business activities from which they may earn revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker. The chief operating decision maker decides how resources are allocated and assesses performance on a recurring basis at least quarterly.

The Company's primary business is the acquisition, development and management of multifamily residential properties, which includes the generation of rental and other related income through the leasing of apartment units to residents. The chief operating decision maker evaluates the Company's operating performance geographically by market and both on a same store and non-same store basis. The Company's geographic same store operating segments located in urban and high-density suburban communities represent its reportable segments (the recently acquired Denver properties owned by the Company were included in non-same store through 2019). The Company's operating segments located in its other markets (Phoenix) that are not material have also been included in the tables presented below.

The Company's fee and asset management and development activities are other business activities that do not constitute an operating segment and as such, have been aggregated in the "Other" category in the tables presented below.

All revenues are from external customers and there is no customer who contributed 10% or more of the Company's total revenues during the three years ended December 31, 2019, 2018 and 2017, respectively.

The primary financial measure for the Company's rental real estate segment is net operating income ("NOI"), which represents rental income less: 1) property and maintenance expense and 2) real estate taxes and insurance expense (all as reflected in the accompanying consolidated statements of operations and comprehensive income). 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. Revenues for all leases are reflected on a straight-line basis in accordance with GAAP for the current and comparable periods.

The following table presents a reconciliation of NOI from our rental real estate for the years ended December 31, 2019, 2018 and 2017, respectively (amounts in thousands):

|   | Year Ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2019                    | 2018                | 2017                |
| Rental income                           | \$ 2,700,691            | \$ 2,577,681        | \$ 2,470,689        |
| Property and maintenance expense        | (446,845)               | (429,335)           | (405,281)           |
| Real estate taxes and insurance expense | (366,139)               | (357,814)           | (335,495)           |
| Total operating expenses                | (812,984)               | (787,149)           | (740,776)           |
| Net operating income                    | <u>\$ 1,887,707</u>     | <u>\$ 1,790,532</u> | <u>\$ 1,729,913</u> |

The following tables present NOI for each segment from our rental real estate for the years ended December 31, 2019, 2018 and 2017, respectively, as well as total assets and capital expenditures at December 31, 2019 and 2018, respectively (amounts in thousands):

|                                | Year Ended December 31, 2019 |                    |                     | Year Ended December 31, 2018 |                    |                     | Year Ended December 31, 2017 |                    |                     |
|--------------------------------|------------------------------|--------------------|---------------------|------------------------------|--------------------|---------------------|------------------------------|--------------------|---------------------|
|                                | Rental Income                | Operating Expenses | NOI                 | Rental Income                | Operating Expenses | NOI                 | Rental Income                | Operating Expenses | NOI                 |
| Same store (1)                 |                              |                    |                     |                              |                    |                     |                              |                    |                     |
| Los Angeles                    | \$ 468,517                   | \$ 136,096         | \$ 332,421          | \$ 451,592                   | \$ 129,455         | \$ 322,137          | \$ 402,192                   | \$ 114,055         | \$ 288,137          |
| Orange County                  | 105,087                      | 24,407             | 80,680              | 101,198                      | 24,468             | 76,730              | 88,527                       | 21,544             | 66,983              |
| San Diego                      | 95,042                       | 24,636             | 70,406              | 91,971                       | 24,024             | 67,947              | 88,507                       | 23,073             | 65,434              |
| Subtotal - Southern California | 668,646                      | 185,139            | 483,507             | 644,761                      | 177,947            | 466,814             | 579,226                      | 158,672            | 420,554             |
| San Francisco                  | 480,499                      | 116,036            | 364,463             | 463,492                      | 112,331            | 351,161             | 430,501                      | 108,689            | 321,812             |
| Washington D.C.                | 413,006                      | 125,688            | 287,318             | 403,761                      | 123,345            | 280,416             | 430,060                      | 129,720            | 300,340             |
| New York                       | 454,448                      | 188,784            | 265,664             | 444,112                      | 178,055            | 266,057             | 454,945                      | 170,064            | 284,881             |
| Boston                         | 227,547                      | 62,176             | 165,371             | 218,778                      | 60,409             | 158,369             | 223,595                      | 60,931             | 162,664             |
| Seattle                        | 207,019                      | 56,016             | 151,003             | 200,222                      | 55,871             | 144,351             | 191,074                      | 52,470             | 138,604             |
| Other Markets                  | 2,094                        | 714                | 1,380               | 1,940                        | 658                | 1,282               | 1,839                        | 652                | 1,187               |
| Total same store               | 2,453,259                    | 734,553            | 1,718,706           | 2,377,066                    | 708,616            | 1,668,450           | 2,311,240                    | 681,198            | 1,630,042           |
| Non-same store/other (2) (3)   |                              |                    |                     |                              |                    |                     |                              |                    |                     |
| Non-same store                 | 196,476                      | 62,591             | 133,885             | 103,688                      | 36,874             | 66,814              | 95,016                       | 30,742             | 64,274              |
| Other (3)                      | 50,956                       | 15,840             | 35,116              | 96,927                       | 41,659             | 55,268              | 64,433                       | 28,836             | 35,597              |
| Total non-same store/other     | 247,432                      | 78,431             | 169,001             | 200,615                      | 78,533             | 122,082             | 159,449                      | 59,578             | 99,871              |
| Totals                         | <u>\$ 2,700,691</u>          | <u>\$ 812,984</u>  | <u>\$ 1,887,707</u> | <u>\$ 2,577,681</u>          | <u>\$ 787,149</u>  | <u>\$ 1,790,532</u> | <u>\$ 2,470,689</u>          | <u>\$ 740,776</u>  | <u>\$ 1,729,913</u> |

- (1) For the years ended December 31, 2019 and 2018, same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2018, less properties subsequently sold, which represented 71,830 apartment units. For the year ended December 31, 2017, same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2017, less properties subsequently sold, which represented 71,721 apartment units.
- (2) For the years ended December 31, 2019 and 2018, non-same store primarily includes properties acquired after January 1, 2018, plus any properties in lease-up and not stabilized as of January 1, 2018. For the year ended December 31, 2017, non-same store primarily includes properties acquired after January 1, 2017, plus any properties in lease-up and not stabilized as of January 1, 2017.
- (3) Other includes development, other corporate operations and operations prior to disposition for properties sold.

|                                | Year Ended December 31, 2019 |                      | Year Ended December 31, 2018 |                      |
|--------------------------------|------------------------------|----------------------|------------------------------|----------------------|
|                                | Total Assets                 | Capital Expenditures | Total Assets                 | Capital Expenditures |
| Same store (1)                 |                              |                      |                              |                      |
| Los Angeles                    | \$ 2,975,420                 | \$ 31,738            | \$ 2,958,361                 | \$ 28,574            |
| Orange County                  | 404,545                      | 9,276                | 418,041                      | 8,214                |
| San Diego                      | 389,537                      | 4,464                | 405,449                      | 4,525                |
| Subtotal - Southern California | 3,769,502                    | 45,478               | 3,781,851                    | 41,313               |
| San Francisco                  | 3,238,884                    | 28,153               | 3,325,595                    | 42,497               |
| Washington D.C.                | 3,370,750                    | 23,015               | 3,484,045                    | 26,981               |
| New York                       | 3,866,500                    | 25,132               | 3,878,580                    | 23,126               |
| Boston                         | 1,464,196                    | 23,823               | 1,514,814                    | 24,000               |
| Seattle                        | 1,292,609                    | 19,990               | 1,330,959                    | 18,065               |
| Other Markets                  | 12,931                       | 194                  | 12,781                       | 163                  |
| Total same store               | 17,015,372                   | 165,785              | 17,328,625                   | 176,145              |
| Non-same store/other (2) (3)   |                              |                      |                              |                      |
| Non-same store                 | 3,447,497                    | 10,788               | 1,990,102                    | 5,934                |
| Other (3)                      | 709,900                      | 1,850                | 1,075,482                    | 6,422                |
| Total non-same store/other     | 4,157,397                    | 12,638               | 3,065,584                    | 12,356               |
| Totals                         | <u>\$ 21,172,769</u>         | <u>\$ 178,423</u>    | <u>\$ 20,394,209</u>         | <u>\$ 188,501</u>    |

- (1) Same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2018, less properties subsequently sold, which represented 71,830 apartment units.
- (2) Non-same store primarily includes properties acquired after January 1, 2018, plus any properties in lease-up and not stabilized as of January 1, 2018.
- (3) Other includes development, other corporate operations and capital expenditures for properties sold.

## 18. Subsequent Events

Subsequent to December 31, 2019, the Company:

- Sold one partially owned property consisting of 136 apartment units for \$31.2 million.

## 19. Quarterly Financial Data (Unaudited)

### *Equity Residential*

The following unaudited quarterly data has been prepared on the basis of a December 31 year-end. Amounts are in thousands, except for per share amounts.

| 2019 (1)  | First Quarter<br>3/31 | Second Quarter<br>6/30 | Third Quarter<br>9/30 | Fourth Quarter<br>12/31 |
|---|-----------------------|------------------------|-----------------------|-------------------------|
| Total revenues                                  | \$ 662,494            | \$ 669,517             | \$ 685,145            | \$ 683,919              |
| Operating income                                | 209,969               | 369,260                | 368,363               | 408,952                 |
| Net income *                                    | 109,257               | 321,299                | 277,846               | 301,306                 |
| Net income available to Common Shares           | 103,766               | 308,196                | 266,333               | 288,992                 |
| Earnings per share:                             |                       |                        |                       |                         |
| Net income available to Common Shares - basic   | \$ 0.28               | \$ 0.83                | \$ 0.72               | \$ 0.78                 |
| Net income available to Common Shares - diluted | \$ 0.28               | \$ 0.83                | \$ 0.71               | \$ 0.77                 |

| 2018 (1)  | First Quarter<br>3/31 | Second Quarter<br>6/30 | Third Quarter<br>9/30 | Fourth Quarter<br>12/31 |
|---|-----------------------|------------------------|-----------------------|-------------------------|
| Total revenues                                  | \$ 633,016            | \$ 639,808             | \$ 652,867            | \$ 652,743              |
| Operating income                                | 339,082               | 217,603                | 339,403               | 219,282                 |
| Net income *                                    | 220,548               | 118,410                | 223,846               | 122,388                 |
| Net income available to Common Shares           | 211,036               | 112,830                | 214,164               | 116,415                 |
| Earnings per share:                             |                       |                        |                       |                         |
| Net income available to Common Shares - basic   | \$ 0.57               | \$ 0.31                | \$ 0.58               | \$ 0.32                 |
| Net income available to Common Shares - diluted | \$ 0.57               | \$ 0.31                | \$ 0.58               | \$ 0.31                 |

\* The Company did not have any discontinued operations, extraordinary items or cumulative effect of change in accounting principle during the periods presented. Therefore, income from continuing operations and income before extraordinary items and cumulative effect of change in accounting principle are not shown as they were both equal to the net income amounts disclosed above.

(1) Amounts may not equal full year results due to rounding.

### *ERP Operating Limited Partnership*

The following unaudited quarterly data has been prepared on the basis of a December 31 year-end. Amounts are in thousands, except for per Unit amounts.

| 2019 (1)                                | First Quarter<br>3/31 | Second Quarter<br>6/30 | Third Quarter<br>9/30 | Fourth Quarter<br>12/31 |
|---|-----------------------|------------------------|-----------------------|-------------------------|
| Total revenues                          | \$ 662,494            | \$ 669,517             | \$ 685,145            | \$ 683,919              |
| Operating income                        | 209,969               | 369,260                | 368,363               | 408,952                 |
| Net income *                            | 109,257               | 321,299                | 277,846               | 301,306                 |
| Net income available to Units           | 107,685               | 319,706                | 276,243               | 299,687                 |
| Earnings per Unit:                      |                       |                        |                       |                         |
| Net income available to Units - basic   | \$ 0.28               | \$ 0.83                | \$ 0.72               | \$ 0.78                 |
| Net income available to Units - diluted | \$ 0.28               | \$ 0.83                | \$ 0.71               | \$ 0.77                 |

| 2018 (1)                                | First Quarter<br>3/31 | Second Quarter<br>6/30 | Third Quarter<br>9/30 | Fourth Quarter<br>12/31 |
|---|-----------------------|------------------------|-----------------------|-------------------------|
| Total revenues                          | \$ 633,016            | \$ 639,808             | \$ 652,867            | \$ 652,743              |
| Operating income                        | 339,082               | 217,603                | 339,403               | 219,282                 |
| Net income *                            | 220,548               | 118,410                | 223,846               | 122,388                 |
| Net income available to Units           | 219,095               | 117,129                | 222,323               | 120,837                 |
| Earnings per Unit:                      |                       |                        |                       |                         |
| Net income available to Units - basic   | \$ 0.57               | \$ 0.31                | \$ 0.58               | \$ 0.32                 |
| Net income available to Units - diluted | \$ 0.57               | \$ 0.31                | \$ 0.58               | \$ 0.31                 |

\* The Operating Partnership did not have any discontinued operations, extraordinary items or cumulative effect of change in accounting principle during the periods presented. Therefore, income from continuing operations and income before extraordinary items and cumulative effect of change in accounting principle are not shown as they were both equal to the net income amounts disclosed above.

(1) Amounts may not equal full year results due to rounding.

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**Overall Summary**  
**December 31, 2019**

|   | Properties | Apartment<br>Units | Investment<br>in Real<br>Estate, Gross | Accumulated<br>Depreciation | Investment<br>in Real<br>Estate, Net | Encumbrances (1)        |
|---|------------|--------------------|--|-----------------------------|--------------------------------------|-------------------------|
| Wholly Owned Unencumbered                           | 257        | 68,002             | \$ 23,408,268,350                      | \$ (6,199,955,243)          | \$ 17,208,313,107                    | \$ —                    |
| Wholly Owned Encumbered                             | 35         | 8,425              | 3,204,805,398                          | (792,348,079)               | 2,412,457,319                        | 1,630,731,451           |
| <b>Wholly Owned Properties</b>                      | 292        | 76,427             | 26,613,073,748                         | (6,992,303,322)             | 19,620,770,426                       | 1,630,731,451           |
| Partially Owned Unencumbered                        | 9          | 1,847              | 524,897,809                            | (133,111,488)               | 391,786,321                          | —                       |
| Partially Owned Encumbered                          | 8          | 1,688              | 395,635,869                            | (151,371,564)               | 244,264,305                          | 310,878,101             |
| <b>Partially Owned Properties</b>                   | 17         | 3,535              | 920,533,678                            | (284,483,052)               | 636,050,626                          | 310,878,101             |
| Total Unencumbered Properties                       | 266        | 69,849             | 23,933,166,159                         | (6,333,066,731)             | 17,600,099,428                       | —                       |
| Total Encumbered Properties                         | 43         | 10,113             | 3,600,441,267                          | (943,719,643)               | 2,656,721,624                        | 1,941,609,552           |
| <b>Total Consolidated Investment in Real Estate</b> | <b>309</b> | <b>79,962</b>      | <b>\$ 27,533,607,426</b>               | <b>\$ (7,276,786,374)</b>   | <b>\$ 20,256,821,052</b>             | <b>\$ 1,941,609,552</b> |

(1) See attached Encumbrances Reconciliation.

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**Encumbrances Reconciliation**  
**December 31, 2019**

| Portfolio/Entity Encumbrances                      | Number of<br>Properties<br>Encumbered by | See Properties<br>With Note: | Amount                         |
|--|--|------------------------------|--------------------------------|
| Archstone Master Property Holdings LLC             | 13                                       | H                            | \$ 798,230,171                 |
| <b>Portfolio/Entity Encumbrances</b>               | 13                                       |                              | 798,230,171                    |
| <b>Individual Property Encumbrances</b>            |  |                              | 1,143,379,381                  |
| <b>Total Encumbrances per Financial Statements</b> |  |                              | <u><u>\$ 1,941,609,552</u></u> |



**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III – Real Estate and Accumulated Depreciation**  
*(Amounts in thousands)*

The changes in total real estate for the years ended December 31, 2019, 2018 and 2017 are as follows:

|                              | 2019                 | 2018                 | 2017                 |
|------------------------------|----------------------|----------------------|----------------------|
| Balance, beginning of year   | \$ 26,511,022        | \$ 26,026,896        | \$ 25,386,425        |
| Acquisitions and development | 1,704,320            | 855,254              | 710,960              |
| Improvements                 | 180,944              | 192,661              | 204,113              |
| Dispositions and other       | (862,679)            | (563,789)            | (274,602)            |
| Balance, end of year         | <u>\$ 27,533,607</u> | <u>\$ 26,511,022</u> | <u>\$ 26,026,896</u> |

The changes in accumulated depreciation for the years ended December 31, 2019, 2018 and 2017 are as follows:

|                            | 2019                | 2018                | 2017                |
|----------------------------|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 6,696,281        | \$ 6,040,378        | \$ 5,360,389        |
| Depreciation               | 831,083             | 785,725             | 743,749             |
| Dispositions and other     | (250,578)           | (129,822)           | (63,760)            |
| Balance, end of year       | <u>\$ 7,276,786</u> | <u>\$ 6,696,281</u> | <u>\$ 6,040,378</u> |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description   | Retail/<br>Commercial<br>Space |           |                                 | Date of<br>Construction | Apartment<br>Units | Initial Cost to<br>Company |                        |                        | Cost<br>Capitalized<br>Subsequent to<br>Acquisition<br>(Improvements,<br>net) (E) |                            |                | Gross Amount Carried at<br>Close of Period 12/31/19 |   |              | Investment<br>in Real<br>Estate, Net at<br>12/31/19 |  |  |
|---|--------------------------------|-----------|---------------------------------|-------------------------|--------------------|----------------------------|------------------------|------------------------|---|----------------------------|----------------|---|---|--------------|---|--|--|
|   | Location                       | Total (B) | Accumulated<br>Depreciation (C) |                         |                    | Land                       | Building &<br>Fixtures | Building &<br>Fixtures | Land  | Building &<br>Fixtures (A) | Total (B)      | Accumulated<br>Depreciation (C)                     | Investment<br>in Real<br>Estate, Net at<br>12/31/19 | Encumbrances |   |  |  |
|   |                                |           |                                 |                         |                    |                            |                        |                        |   |                            |                |   |   |              |   |  |  |
| Wholly-Owned Unencumbered:                                |                                |           |                                 |                         |                    |                            |                        |                        |   |                            |                |   |   |              |   |  |  |
| 100 K Apartments (fla 100K Street)                        | Washington, D.C.               | —         | 2018                            | 222                     | \$ 15,600,000      | \$ 69,662,369              | \$ 2,484               | \$ 15,600,000          | \$ 69,664,853   | \$ 85,264,853              | \$ (3,157,965) | \$ 82,106,888                                       | \$ —  |              |   |  |  |
| 140 Riverside Boulevard                                   | New York, NY                   | G         | 2003                            | 354                     | 103,539,100        | 94,082,725                 | 10,160,746             | 103,539,100            | 104,243,471   | 207,782,571                | (52,510,393)   | 155,272,178   | —   |              |   |  |  |
| 160 Riverside Boulevard                                   | New York, NY                   | G         | 2001                            | 455                     | 139,933,500        | 190,964,745                | 17,198,947             | 139,933,500            | 208,163,692   | 348,097,192                | (104,423,480)  | 243,673,712   | —   |              |   |  |  |
| 170 Amsterdam   | New York, NY                   | G         | 2015                            | 236                     | —                  | 112,096,955                | 439,194                | —                      | 112,536,149   | 112,536,149                | (20,556,743)   | 91,979,406  | —   |              |   |  |  |
| 175 Kent  | Brooklyn, NY                   | G         | 2011                            | 113                     | 22,037,831         | 53,962,169                 | 2,003,647              | 22,037,831             | 55,965,816  | 78,003,647                 | (18,206,594)   | 59,797,053  | —   |              |   |  |  |
| 180 Montague (fla Brooklyn Heights)                       | Brooklyn, NY                   | G         | 2000                            | 193                     | 32,400,000         | 92,675,228                 | 4,764,589              | 32,400,000             | 97,439,817  | 129,839,817                | (27,077,371)   | 102,762,446   | —   |              |   |  |  |
| 1111 Belle Pre (fla The Madison)                          | New York, NY                   | G         | 1998                            | 516                     | 144,968,250        | 138,346,681                | 14,692,592             | 144,968,250            | 153,039,273   | 298,007,523                | (78,364,843)   | 219,642,680   | —   |              |   |  |  |
| 1210 Mass   | Alexandria, VA                 | G         | 2014                            | 360                     | 18,937,702         | 94,758,679                 | 399,141                | 18,937,702             | 95,157,820  | 114,095,522                | (25,780,466)   | 88,315,056  | —   |              |   |  |  |
| 1401 Joyce on Pentagon Row                                | Washington, D.C.               | G         | 2004                            | 144                     | 9,213,512          | 36,559,189                 | 2,770,003              | 9,213,512              | 39,329,192  | 48,542,704                 | (20,032,298)   | 28,510,406  | —   |              |   |  |  |
| 1500 Mass Ave   | Arlington, VA                  | —         | 2004                            | 326                     | 9,780,000          | 89,668,165                 | 5,482,703              | 9,780,000              | 95,150,868  | 104,930,868                | (38,110,856)   | 66,820,012  | —   |              |   |  |  |
| 1800 Oak (fla Rosslyn)                                    | Washington, D.C.               | G         | 1951                            | 556                     | 54,638,298         | 40,361,702                 | 15,851,496             | 54,638,298             | 56,213,198  | 110,851,496                | (29,241,959)   | 81,609,537  | —   |              |   |  |  |
| 2201 Pershing Drive                                       | Arlington, VA                  | G         | 2003                            | 314                     | 31,400,000         | 109,005,734                | 7,759,305              | 31,400,000             | 116,765,039   | 148,165,039                | (32,605,736)   | 115,559,303   | —   |              |   |  |  |
| 2201 Wilson   | Arlington, VA                  | G         | 2012                            | 188                     | 11,321,198         | 49,674,175                 | 2,653,163              | 11,321,198             | 52,327,338  | 63,648,536                 | (15,332,930)   | 48,315,606  | —   |              |   |  |  |
| 2400 M St   | Arlington, VA                  | G         | 2000                            | 219                     | 21,900,000         | 78,724,663                 | 4,621,475              | 21,900,000             | 83,346,138  | 105,246,138                | (23,254,386)   | 81,991,752  | —   |              |   |  |  |
| 315 on A  | Washington, D.C.               | G         | 2006                            | 359                     | 30,006,593         | 114,013,785                | 4,706,151              | 30,006,593             | 118,719,936   | 148,726,529                | (57,645,397)   | 91,081,132  | —   |              |   |  |  |
| 340 Fremont (fla Rincon Hill)                             | Boston, MA                     | —         | 2013                            | 202                     | 14,450,070         | 115,824,930                | 1,261,179              | 14,450,070             | 117,086,109   | 131,536,179                | (22,891,380)   | 108,644,799   | —   |              |   |  |  |
| 341 Nevins  | San Francisco, CA              | G         | 2016                            | 348                     | 42,000,000         | 248,609,655                | 179,247                | 42,000,000             | 248,788,902   | 290,788,902                | (33,388,938)   | 257,399,964   | —   |              |   |  |  |
| 3003 Van Ness (fla Van Ness)                              | Brooklyn, NY                   | —         | (F)                             | —                       | 3,621,830          | 189,222                    | —                      | 3,621,830              | 189,222   | 3,811,052                  | —              | 3,811,052   | —   |              |   |  |  |
| 425 Mass  | Washington, D.C.               | —         | 1970                            | 625                     | 56,300,000         | 141,191,580                | 7,157,154              | 56,300,000             | 148,348,734   | 204,648,734                | (43,856,738)   | 160,791,996   | —   |              |   |  |  |
| 455 Eye Street  | Washington, D.C.               | G         | 2009                            | 559                     | 28,150,000         | 138,600,000                | 4,759,357              | 28,150,000             | 143,359,357   | 171,509,357                | (53,491,733)   | 118,017,624   | —   |              |   |  |  |
| 4701 Willard  | Washington, D.C.               | G         | 2017                            | 174                     | 11,941,407         | 61,418,274                 | 40,682                 | 11,941,407             | 61,458,956  | 73,400,363                 | (6,002,916)    | 67,397,447  | —   |              |   |  |  |
| 4885 Edgemoor Lane  | Chevy Chase, MD                | G         | 1966                            | 517                     | 76,921,130         | 153,947,682                | 31,235,663             | 76,921,130             | 185,183,345   | 262,104,475                | (67,153,478)   | 194,950,997   | —   |              |   |  |  |
| 4th and Hill  | Bethesda, MD                   | —         | (F)                             | —                       | —                  | 10,864,626                 | —                      | —                      | 10,864,626  | 10,864,626                 | —              | 10,864,626  | —   |              |   |  |  |
| 600 Washington  | Los Angeles, CA                | —         | (F)                             | —                       | 13,131,456         | 16,680,349                 | —                      | 13,131,456             | 16,680,349  | 29,811,805                 | —              | 29,811,805  | —   |              |   |  |  |
| 660 Washington (fla Boston Common)                        | New York, NY                   | G         | 2004                            | 135                     | 32,852,000         | 43,140,551                 | 1,548,076              | 32,852,000             | 44,688,627  | 77,540,627                 | (22,331,625)   | 55,209,002  | —   |              |   |  |  |
| 70 Greene   | Boston, MA                     | G         | 2006                            | 420                     | 106,100,000        | 166,311,679                | 4,730,410              | 106,100,000            | 171,042,089   | 277,142,089                | (46,949,010)   | 230,193,079   | —   |              |   |  |  |
| 71 Broadway   | Jersey City, NJ                | G         | 2010                            | 480                     | 28,108,899         | 236,763,553                | 2,932,277              | 28,108,899             | 239,695,830   | 267,804,729                | (81,879,133)   | 185,925,596   | —   |              |   |  |  |
| 77 Bluxome  | New York, NY                   | G         | 1997                            | 238                     | 22,611,600         | 77,492,171                 | 17,054,425             | 22,611,600             | 94,546,596  | 117,158,196                | (51,104,697)   | 66,053,499  | —   |              |   |  |  |
| 77 Park Avenue (fla Hoboken)                              | San Francisco, CA              | —         | 2007                            | 102                     | 5,249,124          | 18,609,876                 | 479,898                | 5,249,124              | 19,089,774  | 24,338,898                 | (6,408,288)    | 17,930,610  | —   |              |   |  |  |
| 777 Sixth   | Hoboken, NJ                    | G         | 2000                            | 301                     | 27,900,000         | 168,992,440                | 7,688,560              | 27,900,000             | 176,681,000   | 204,581,000                | (47,768,422)   | 156,812,578   | —   |              |   |  |  |
| 88 Hillside   | New York, NY                   | G         | 2002                            | 294                     | 65,352,706         | 65,747,294                 | 4,999,856              | 65,352,706             | 70,747,150  | 136,099,856                | (30,672,075)   | 105,427,781   | —   |              |   |  |  |
| 855 Brannan   | Daly City, CA                  | G         | 2011                            | 95                      | 7,786,800          | 31,587,325                 | 3,225,899              | 7,786,800              | 34,813,224  | 42,600,024                 | (11,434,181)   | 31,165,843  | —   |              |   |  |  |
| 929 Mass (fla 929 House)                                  | San Francisco, CA              | G         | 2018                            | 449                     | 41,363,921         | 282,107,685                | 62,476                 | 41,363,921             | 282,170,161   | 323,534,082                | (23,429,467)   | 300,104,615   | —   |              |   |  |  |
| Academy Village   | Cambridge, MA                  | G         | 1975                            | 127                     | 3,252,993          | 21,745,595                 | 7,695,575              | 3,252,993              | 29,441,170  | 32,694,163                 | (19,893,418)   | 12,800,745  | —   |              |   |  |  |
| Acappella   | North Hollywood, CA            | —         | 1989                            | 248                     | 25,000,000         | 23,593,194                 | 9,821,339              | 25,000,000             | 33,414,533  | 58,414,533                 | (20,345,297)   | 38,069,236  | —   |              |   |  |  |
| Acton Courtyard   | Pasadena, CA                   | —         | 2002                            | 143                     | 5,839,548          | 29,360,452                 | 2,301,628              | 5,839,548              | 31,662,080  | 37,501,628                 | (12,293,107)   | 25,208,521  | —   |              |   |  |  |
| Alban Towers  | Berkeley, CA                   | G         | 2003                            | 71                      | 5,550,000          | 15,785,509                 | 396,492                | 5,550,000              | 16,182,001  | 21,732,001                 | (7,612,133)    | 14,119,868  | —   |              |   |  |  |
| Albonda   | Washington, D.C.               | —         | 1934                            | 229                     | 18,900,000         | 89,794,201                 | 6,474,195              | 18,900,000             | 96,268,396  | 115,168,396                | (25,786,581)   | 89,381,815  | —   |              |   |  |  |
| Alcott Apartments (fla West End Tower)                    | Fremont, CA                    | —         | 1999                            | 442                     | 24,310,000         | 59,214,129                 | 9,528,299              | 24,310,000             | 68,742,428  | 93,052,428                 | (44,468,172)   | 48,584,256  | —   |              |   |  |  |
| Alhulide (fla Village at Howard Hughes, The (Lots 1 & 2)) | Boston, MA                     | G         | (F)                             | —                       | 10,424,000         | 128,885,729                | —                      | 10,424,000             | 128,885,729   | 139,309,729                | —              | 139,309,729   | —   |              |   |  |  |
| Alton, The (fla Millikan)                                 | Los Angeles, CA                | —         | 2016                            | 545                     | 43,783,485         | 150,235,905                | 493,024                | 43,783,485             | 150,728,929   | 194,512,414                | (20,615,169)   | 173,897,245   | —   |              |   |  |  |
| Arbor Terrace   | Irvine, CA                     | —         | 2017                            | 344                     | 11,049,027         | 96,526,323                 | 150,488                | 11,049,027             | 96,676,761  | 107,725,788                | (11,346,591)   | 96,379,197  | —   |              |   |  |  |
| Arches, The   | Sunnyvale, CA                  | —         | 1979                            | 175                     | 9,057,300          | 18,483,642                 | 1,357,865              | 9,057,300              | 19,841,507  | 38,898,807                 | (17,937,496)   | 20,961,311  | —   |              |   |  |  |
| Arches, The   | Sunnyvale, CA                  | —         | 1974                            | 410                     | 26,650,000         | 62,850,000                 | 2,623,168              | 26,650,000             | 65,473,168  | 92,123,168                 | (24,870,049)   | 67,253,119  | —   |              |   |  |  |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description  | Initial Cost to Company |                    |                         |                      | Cost Capitalized Subsequent to Acquisition (Improvements, net) (E) |                     |                     |                     | Gross Amount Carried at Close of Period 12/31/19 |                     |             |                         | Investment in Real Estate Net at 12/31/19 |                              |   |              |
|--|-------------------------|--------------------|-------------------------|----------------------|--|---------------------|---------------------|---------------------|--|---------------------|-------------|-------------------------|---|------------------------------|---|--------------|
|  | Apartment Name          | Location           | Retail/Commercial Space | Date of Construction | Apartment Units  | Building & Fixtures |                     | Building & Fixtures | Land   |                     | Land        | Building & Fixtures (A) | Total (B)                                 | Accumulated Depreciation (C) | Investment in Real Estate Net at 12/31/19 | Encumbrances |
|  |                         |                    |                         |                      |  | Land                | Building & Fixtures |                     | Land   | Building & Fixtures |             |                         |   |                              |   |              |
| Artisan on Second                                    | —                       | Los Angeles, CA    | —                       | 2008                 | 118  | 8,000,400           | 36,074,600          | 1,173,462           | 8,000,400  | 37,248,062          | 8,000,400   | 37,248,062              | 45,248,462                                | (12,924,017)                 | 32,324,445                                | —            |
| Artisan Square                                       | —                       | Northridge, CA     | —                       | 2002                 | 140  | 7,000,000           | 20,537,359          | 1,889,100           | 7,000,000  | 22,426,459          | 7,000,000   | 22,426,459              | 29,426,459                                | (13,116,756)                 | 16,309,703                                | —            |
| Artistry Emeryville (aka Emeryville)                 | —                       | Emeryville, CA     | —                       | 1994                 | 267  | 12,300,000          | 61,466,267          | 7,189,056           | 12,300,000                                       | 68,655,323          | 12,300,000  | 68,655,323              | 80,955,323                                | (20,908,096)                 | 60,047,227                                | —            |
| Attler   | G                       | Brooklyn, NY       | —                       | 2015                 | 120  | 32,401,680          | 432,778             | 47,135,432          | 32,401,680                                       | 47,568,210          | 32,401,680  | 47,568,210              | 79,969,890                                | (8,426,826)                  | 71,543,064                                | —            |
| Avenue Two   | —                       | Redwood City, CA   | —                       | 1972                 | 123  | 7,995,000           | 18,005,000          | 2,417,128           | 7,995,000  | 20,422,128          | 7,995,000   | 20,422,128              | 28,417,128                                | (7,587,499)                  | 20,829,629                                | —            |
| Axis at Shady Grove                                  | —                       | Rockville, MD      | —                       | 2016                 | 366  | 14,745,774          | 90,503,831          | 123,658             | 14,745,774                                       | 90,627,489          | 14,745,774  | 90,627,489              | 105,373,263                               | (6,627,790)                  | 98,745,473                                | —            |
| Azure (aka Mission Bay-Block 13)                     | —                       | San Francisco, CA  | —                       | 2015                 | 273  | 32,855,115          | 153,569,655         | 385,653             | 32,855,115                                       | 153,955,308         | 32,855,115  | 153,955,308             | 186,810,423                               | (25,110,173)                 | 161,700,250                               | —            |
| Bay Hill   | —                       | Long Beach, CA     | —                       | 2002                 | 160  | 7,600,000           | 27,437,239          | 3,648,128           | 7,600,000  | 31,085,367          | 7,600,000   | 31,085,367              | 38,685,367                                | (16,705,166)                 | 21,980,201                                | —            |
| Beatrice, The  | —                       | New York, NY       | —                       | 2010                 | 302  | 114,351,405         | 165,648,995         | 1,852,511           | 114,351,405                                      | 167,501,106         | 114,351,405 | 167,501,106             | 281,852,511                               | (51,586,536)                 | 230,266,975                               | —            |
| Bella Vista I, II, III Combined                      | —                       | Woodland Hills, CA | —                       | 2003-2007            | 579  | 31,682,754          | 121,095,786         | 10,564,320          | 31,682,754                                       | 131,660,106         | 31,682,754  | 131,660,106             | 163,342,860                               | (63,397,900)                 | 99,944,960                                | —            |
| Belle Fontaine                                       | —                       | Bellevue, WA       | —                       | 2000                 | 1  | 63,158              | 236,157             | 2,098               | 63,158   | 238,255             | 63,158      | 238,255                 | 301,413                                   | (91,640)                     | 209,773                                   | —            |
| Belle Arts Condominium Homes, LLC                    | —                       | Marina Del Rey, CA | —                       | 2003                 | 102  | 9,098,808           | 28,701,192          | 2,077,210           | 9,098,808  | 30,778,402          | 9,098,808   | 30,778,402              | 39,877,210                                | (9,929,838)                  | 29,947,372                                | —            |
| Breakwater at Marina Del Rey                         | —                       | Marina Del Rey, CA | —                       | 1964-1969            | 224  | —                   | 73,189,282          | 2,301,977           | —  | 75,491,239          | —           | 75,491,239              | 75,491,239                                | (22,556,033)                 | 52,935,206                                | —            |
| Briarwood (CA)                                       | —                       | Sunnyvale, CA      | —                       | 1985                 | 192  | 9,991,500           | 22,247,278          | 4,223,652           | 9,991,500  | 26,470,930          | 9,991,500   | 26,470,930              | 36,462,430                                | (19,003,418)                 | 17,459,012                                | —            |
| Brodie, The  | —                       | Westminster, CO    | —                       | 2016                 | 312  | 8,639,904           | 79,254,009          | 338,241             | 8,639,904  | 79,592,250          | 8,639,904   | 79,592,250              | 88,232,154                                | (4,390,121)                  | 83,842,033                                | —            |
| Brooklynr, The (aka 111 Lawrence)                    | G                       | Brooklyn, NY       | —                       | 2010                 | 490  | 40,099,922          | 221,438,631         | 4,272,230           | 40,099,922                                       | 225,710,861         | 40,099,922  | 225,710,861             | 265,810,783                               | (69,755,616)                 | 196,055,167                               | —            |
| C on Pico  | —                       | Los Angeles, CA    | —                       | 2014                 | 94   | 17,125,766          | 28,074,234          | 468,094             | 17,125,766                                       | 28,542,328          | 17,125,766  | 28,542,328              | 45,608,094                                | (4,917,365)                  | 40,750,729                                | —            |
| Carlyle Mill   | —                       | Alexandria, VA     | —                       | 2002                 | 317  | 10,000,000          | 51,367,913          | 9,043,657           | 10,000,000                                       | 60,411,570          | 10,000,000  | 60,411,570              | 70,411,570                                | (34,997,308)                 | 35,414,262                                | —            |
| Camel Terrace  | —                       | San Diego, CA      | —                       | 1988-1989            | 384  | 2,288,300           | 20,596,281          | 12,519,325          | 2,288,300  | 33,115,606          | 2,288,300   | 33,115,606              | 35,403,906                                | (28,576,803)                 | 6,827,103                                 | —            |
| Cascade  | —                       | Seattle, WA        | —                       | 2017                 | 477  | 23,751,564          | 149,388,658         | 10,060              | 23,751,564                                       | 149,398,718         | 23,751,564  | 149,398,718             | 173,150,282                               | (14,329,011)                 | 158,821,271                               | —            |
| Centennial (aka Centennial Court & Centennial Tower) | G                       | Seattle, WA        | G                       | 1991/2001            | 408  | 9,700,000           | 70,080,378          | 13,065,205          | 9,700,000  | 83,145,583          | 9,700,000   | 83,145,583              | 92,845,583                                | (43,852,523)                 | 48,993,060                                | —            |
| Centre Club Combined                                 | —                       | Ontario, CA        | —                       | 1994 & 2002          | 412  | 7,436,000           | 33,014,789          | 9,490,814           | 7,436,000  | 42,505,603          | 7,436,000   | 42,505,603              | 49,941,603                                | (26,716,928)                 | 23,224,675                                | —            |
| Chloe on Madison (aka 1401 E. Madison)               | G                       | Seattle, WA        | —                       | 2019                 | 137  | 10,401,958          | 52,593,395          | —                   | 10,401,958                                       | 52,593,395          | 10,401,958  | 52,593,395              | 62,995,353                                | (497,660)                    | 62,497,693                                | —            |
| Church Corner  | G                       | Cambridge, MA      | G                       | 2010                 | 117  | 14,833,571          | 39,359,650          | 2,516,557           | 14,833,571                                       | 41,876,207          | 14,833,571  | 41,876,207              | 56,711,778                                | (4,541,342)                  | 52,170,436                                | —            |
| City Gate at Cupertino (aka Cupertino)               | —                       | Cupertino, CA      | —                       | 1987                 | 85   | 5,220,000           | 16,744,643          | 3,270,549           | 5,220,000  | 20,015,192          | 5,220,000   | 20,015,192              | 25,235,192                                | (10,988,447)                 | 14,246,745                                | —            |
| City Pointe  | G                       | Fullerton, CA      | —                       | 1998                 | 311  | 40,400,000          | 95,937,046          | 7,548,015           | 40,400,000                                       | 103,485,061         | 40,400,000  | 103,485,061             | 143,885,061                               | (29,361,079)                 | 114,523,982                               | —            |
| City Square Bellevue (aka Bellevue)                  | G                       | Bellevue, WA       | G                       | 2004                 | 183  | 6,863,792           | 36,476,208          | 3,588,233           | 6,863,792  | 40,064,441          | 6,863,792   | 40,064,441              | 46,928,233                                | (15,519,206)                 | 31,409,027                                | —            |
| Clarendon, The                                       | G                       | Arlington, VA      | G                       | 1998                 | 191  | 15,100,000          | 41,876,257          | 3,873,050           | 15,100,000                                       | 45,749,307          | 15,100,000  | 45,749,307              | 60,849,307                                | (13,419,667)                 | 47,429,640                                | —            |
| Cleo, The  | —                       | Los Angeles, CA    | —                       | 2005                 | 292  | 30,400,340          | 103,824,660         | 2,674,009           | 30,400,340                                       | 106,498,669         | 30,400,340  | 106,498,669             | 136,899,009                               | (36,985,746)                 | 99,913,263                                | —            |
| Connecticut Heights                                  | —                       | Washington, D.C.   | —                       | 1989                 | 92   | 6,615,467           | 14,829,335          | 4,079,934           | 6,615,467  | 18,909,269          | 6,615,467   | 18,909,269              | 25,524,736                                | (9,776,697)                  | 15,748,039                                | —            |
| Coreoran House at DuPont Circle (aka DuPont Circle)  | —                       | Washington, D.C.   | —                       | 1974                 | 518  | 27,600,000          | 114,002,295         | 10,060,643          | 27,600,000                                       | 124,062,938         | 27,600,000  | 124,062,938             | 151,662,938                               | (33,971,504)                 | 117,691,434                               | —            |
| Courthouse Plaza                                     | G                       | Arlington, VA      | G                       | 1961                 | 138  | 13,500,000          | 26,913,113          | 2,637,933           | 13,500,000                                       | 29,551,046          | 13,500,000  | 29,551,046              | 43,051,046                                | (9,012,285)                  | 34,038,761                                | —            |
| Creekside (San Mateo)                                | —                       | San Mateo, CA      | —                       | 1990                 | 396  | —                   | 87,386,024          | 6,316,702           | —  | 93,702,726          | —           | 93,702,726              | 93,702,726                                | (28,408,921)                 | 65,293,805                                | —            |
| Cronins Landing                                      | —                       | Waltham, MA        | —                       | 1985                 | 192  | 9,606,600           | 21,193,232          | 4,951,801           | 9,606,600  | 26,145,033          | 9,606,600   | 26,145,033              | 35,751,633                                | (18,907,735)                 | 16,843,898                                | —            |
| Crystal Place  | —                       | Arlington, VA      | —                       | 1998                 | 281  | 32,300,000          | 85,119,234          | 11,972,290          | 32,300,000                                       | 97,091,614          | 32,300,000  | 97,091,614              | 129,391,614                               | (27,201,943)                 | 102,189,671                               | —            |
| Dalton, The  | G                       | Alexandria, VA     | G                       | 1986                 | 181  | 17,200,000          | 47,918,975          | 3,946,812           | 17,200,000                                       | 51,865,787          | 17,200,000  | 51,865,787              | 69,065,787                                | (15,614,718)                 | 53,451,069                                | —            |
| Deerwood (SD)  | —                       | San Diego, CA      | —                       | 2018                 | 270  | 22,947,777          | 95,292,515          | (6)                 | 22,947,777                                       | 95,292,509          | 22,947,777  | 95,292,509              | 118,240,286                               | —                            | 118,240,286                               | —            |
| Del Mar Ridge  | —                       | San Diego, CA      | —                       | 1990                 | 316  | 2,082,095           | 18,739,815          | 15,675,022          | 2,082,095  | 34,414,837          | 2,082,095   | 34,414,837              | 36,496,932                                | (30,453,714)                 | 6,043,218                                 | —            |
| Eagle Canyon   | —                       | Chino Hills, CA    | —                       | 1998                 | 181  | 7,801,824           | 36,948,176          | 4,246,225           | 7,801,824  | 41,194,401          | 7,801,824   | 41,194,401              | 48,996,225                                | (17,680,819)                 | 31,315,406                                | —            |
| Edgemont at Bethesda Metro                           | —                       | Bethesda, MD       | —                       | 1985                 | 252  | 1,808,900           | 16,274,361          | 10,865,978          | 1,808,900  | 27,140,339          | 1,808,900   | 27,140,339              | 28,949,239                                | (20,747,510)                 | 8,201,729                                 | —            |
| Emerson Place  | —                       | Boston, MA         | —                       | 1989                 | 122  | 13,092,552          | 43,907,448          | 1,674,370           | 13,092,552                                       | 45,581,818          | 13,092,552  | 45,581,818              | 58,674,370                                | (15,155,907)                 | 43,518,463                                | —            |
| Encore at Sherman Oaks, The                          | G                       | Sherman Oaks, CA   | G                       | 1962                 | 444  | 14,855,000          | 57,566,636          | 35,014,249          | 14,855,000                                       | 92,580,885          | 14,855,000  | 92,580,885              | 107,435,885                               | (63,325,270)                 | 44,110,615                                | —            |
| Eviva on Chronokee                                   | —                       | Denver, CO         | —                       | 1988                 | 174  | 8,700,000           | 25,446,003          | 3,807,449           | 8,700,000  | 29,293,452          | 8,700,000   | 29,293,452              | 37,993,452                                | (10,801,336)                 | 27,192,116                                | —            |
|  | —                       |                    | —                       | 2017                 | 274  | 10,507,626          | 100,037,204         | 151,235             | 10,507,626                                       | 100,188,439         | 10,507,626  | 100,188,439             | 110,696,065                               | (6,553,585)                  | 104,142,480                               | —            |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description                                       | Initial Cost to Company |                         |                      | Apartment Units | Cost Capitalized Subsequent to Acquisition (Improvements, net) (E) |                     |                     | Gross Amount Carried at Close of Period 12/31/19 |                         |             | Investment in Real Estate, Net at 12/31/19 |              |
|---|-------------------------|-------------------------|----------------------|-----------------|--|---------------------|---------------------|--|-------------------------|-------------|--|--------------|
|   | Location                | Retail/Commercial Space | Date of Construction |                 | Land   | Building & Fixtures | Building & Fixtures | Land   | Building & Fixtures (A) | Total (B)   | Accumulated Depreciation (C)               | Encumbrances |
| Fountains at Emerald Park (aka Emerald Park)      | Dublin, CA              | —                       | 2000                 | 324             | 25,900,000   | 83,986,217          | 3,935,049           | 25,900,000                                       | 87,921,266              | 113,821,266 | (25,270,333)                               | 88,550,933   |
| Fremont Center                                    | Fremont, CA             | G                       | 2002                 | 322             | 25,800,000   | 78,753,114          | 4,490,634           | 25,800,000                                       | 83,243,748              | 109,043,748 | (24,471,382)                               | 84,572,366   |
| Gaithersburg Station                              | Gaithersburg, MD        | G                       | 2013                 | 400             | 17,500,000   | 74,678,917          | 3,537,268           | 17,500,000                                       | 78,216,185              | 95,716,185  | (20,628,153)                               | 75,088,032   |
| Gallery, The                                      | Hermosa Beach, CA       | —                       | 1971                 | 169             | 18,144,000   | 46,567,941          | 2,995,980           | 18,144,000                                       | 49,563,921              | 67,707,921  | (24,741,834)                               | 42,966,087   |
| Gateway at Malden Center                          | Malden, MA              | G                       | 1988                 | 203             | 9,209,780  | 25,722,666          | 16,463,954          | 9,209,780  | 42,186,620              | 51,396,400  | (26,861,288)                               | 24,535,112   |
| Geary Court Yard                                  | San Francisco, CA       | —                       | 1990                 | 165             | 1,722,400  | 15,471,429          | 6,197,853           | 1,722,400  | 21,669,282              | 23,391,682  | (15,406,560)                               | 7,985,122    |
| Girard  | Boston, MA              | G                       | 2016                 | 160             | —  | 102,450,328         | 865,330             | —  | 103,315,658             | 103,315,658 | (11,248,402)                               | 92,067,256   |
| Hampshire Place                                   | Los Angeles, CA         | —                       | 1989                 | 259             | 10,806,000   | 30,335,330          | 8,125,571           | 10,806,000                                       | 38,460,901              | 49,266,901  | (19,841,849)                               | 29,425,052   |
| Harbor Steps                                      | Seattle, WA             | G                       | 2000                 | 761             | 59,403,601   | 158,829,432         | 40,880,428          | 59,403,601                                       | 199,709,860             | 259,113,461 | (97,046,373)                               | 162,067,088  |
| Hathaway  | Long Beach, CA          | —                       | 1987                 | 385             | 2,512,500  | 22,611,912          | 13,674,471          | 2,512,500  | 36,286,383              | 38,798,883  | (27,001,675)                               | 11,797,208   |
| Helios (aka 2nd+Pine)                             | Seattle, WA             | G                       | 2017                 | 398             | 18,061,674   | 206,628,093         | 110,524             | 18,061,674                                       | 206,738,617             | 224,800,291 | (20,125,380)                               | 204,674,911  |
| Heritage at Stone Ridge                           | Burlington, MA          | —                       | 2005                 | 180             | 10,800,000   | 31,808,335          | 2,849,652           | 10,800,000                                       | 34,657,987              | 45,457,987  | (17,798,543)                               | 27,659,444   |
| Heritage Ridge                                    | Lynnwood, WA            | —                       | 1999                 | 197             | 6,895,000  | 18,983,597          | 4,605,503           | 6,895,000  | 23,589,100              | 30,484,100  | (11,968,336)                               | 18,515,764   |
| Hesby   | North Hollywood, CA     | —                       | 2013                 | 308             | 23,299,892   | 102,700,108         | 1,653,931           | 23,299,892                                       | 104,354,039             | 127,653,931 | (25,277,554)                               | 102,376,377  |
| Highlands at South Plainfield                     | South Plainfield, NJ    | —                       | 2000                 | 252             | 10,080,000   | 37,526,912          | 2,592,223           | 10,080,000                                       | 40,119,135              | 50,199,135  | (20,191,766)                               | 30,007,369   |
| Hikari  | Los Angeles, CA         | G                       | 2007                 | 128             | 9,435,760  | 32,564,240          | 965,477             | 9,435,760  | 33,529,717              | 42,965,477  | (11,609,215)                               | 31,356,262   |
| Hudson Crossing                                   | New York, NY            | G                       | 2003                 | 259             | 23,420,000   | 69,977,699          | 3,000,297           | 23,420,000                                       | 72,977,996              | 96,397,996  | (38,482,671)                               | 57,915,325   |
| Hudson Pointe                                     | Jersey City, NJ         | —                       | 2003                 | 182             | 5,350,000  | 41,114,074          | 6,902,664           | 5,350,000  | 48,016,738              | 53,366,738  | (26,064,218)                               | 27,302,520   |
| Hunt Club II                                      | Charlotte, NC           | —                       | (F)                  | —               | 100,000  | —                   | —                   | 100,000  | —                       | 100,000     | —  | 100,000      |
| Huxley, The                                       | Redwood City, CA        | —                       | 2018                 | 137             | 18,775,028   | 89,335,476          | 5,577               | 18,775,028                                       | 89,341,053              | 108,116,081 | (2,362,663)                                | 105,753,418  |
| Ivory Wood  | Bothell, WA             | —                       | 2000                 | 144             | 2,732,800  | 13,888,282          | 1,716,006           | 2,732,800  | 15,604,288              | 18,337,088  | (8,531,839)                                | 9,805,249    |
| Jia (aka Chinatown Gateway)                       | Los Angeles, CA         | G                       | 2014                 | 280             | 14,791,831   | 77,752,457          | 816,097             | 14,791,831                                       | 78,568,554              | 93,360,385  | (22,410,277)                               | 70,950,108   |
| Junction 47 (aka West Seattle)                    | Seattle, WA             | G                       | 2015                 | 206             | 11,726,305   | 56,576,329          | 139,678             | 11,726,305                                       | 56,716,007              | 68,442,312  | (9,832,830)                                | 58,609,480   |
| Kevin, The (aka Modern)                           | Irvine, CA              | —                       | 2015                 | 194             | 15,521,552   | 64,853,448          | 593,826             | 15,521,552                                       | 65,447,274              | 80,968,826  | (12,644,037)                               | 68,324,789   |
| Kemwood Mews                                      | Burbank, CA             | —                       | 1991                 | 141             | 14,100,000   | 24,662,883          | 4,164,875           | 14,100,000                                       | 28,827,758              | 42,927,758  | (14,951,144)                               | 27,976,614   |
| Laguna Clava                                      | Santa Clara, CA         | —                       | 1972                 | 264             | 13,642,420   | 29,597,400          | 5,500,048           | 13,642,420                                       | 35,097,448              | 48,739,868  | (19,856,605)                               | 28,883,263   |
| Landings at Port Imperial                         | W. New York, NJ         | —                       | 1999                 | 276             | 27,246,045   | 37,741,050          | 14,471,631          | 27,246,045                                       | 52,212,681              | 79,458,726  | (33,207,884)                               | 46,250,842   |
| Lane  | Seattle, WA             | G                       | 2019                 | 217             | 13,142,946   | 71,853,083          | (1)                 | 13,142,946                                       | 71,853,082              | 84,996,028  | —  | 84,996,028   |
| Lex, The  | San Jose, CA            | —                       | 2017                 | 387             | 21,817,512   | 158,778,598         | 77,511              | 21,817,512                                       | 158,856,109             | 180,673,621 | (8,972,354)                                | 171,701,267  |
| Liberty Park                                      | Braintree, MA           | —                       | 2000                 | 202             | 5,977,504  | 26,749,111          | 6,951,551           | 5,977,504  | 33,700,662              | 39,678,166  | (19,975,624)                               | 19,702,542   |
| Liberty Tower                                     | Arlington, VA           | G                       | 2008                 | 235             | 16,382,822   | 83,817,078          | 2,551,120           | 16,382,822                                       | 86,368,198              | 102,751,020 | (31,785,187)                               | 70,965,833   |
| Lincoln Heights                                   | Quincy, MA              | —                       | 1991                 | 336             | 5,928,400  | 33,595,262          | 15,019,958          | 5,928,400  | 48,615,220              | 54,543,620  | (37,746,289)                               | 16,797,331   |
| Lindley Apartments                                | Encino, CA              | —                       | 2004                 | 129             | 5,805,000  | 25,708,000          | 2,055,111           | 5,805,000  | 27,760,111              | 33,565,111  | (10,259,804)                               | 23,305,307   |
| Lofts at Kendall Square (aka Kendall Square)      | Cambridge, MA           | —                       | 1998                 | 186             | 18,696,674   | 78,445,657          | 6,941,386           | 18,696,674                                       | 85,387,043              | 104,083,717 | (24,300,285)                               | 79,783,432   |
| Lofts at Kendall Square II (aka 249 Third Street) | Cambridge, MA           | G                       | 2019                 | 84              | 4,603,326  | 42,655,411          | —                   | 4,603,326  | 42,655,411              | 47,258,737  | (388,231)                                  | 46,870,506   |
| Longacre House                                    | New York, NY            | G                       | 2000                 | 293             | 73,170,045   | 53,962,510          | 4,562,899           | 73,170,045                                       | 58,525,409              | 131,695,454 | (26,269,075)                               | 105,426,379  |
| Longfellow Place                                  | Boston, MA              | G                       | 1975                 | 710             | 38,264,917   | 132,175,915         | 86,857,633          | 38,264,917                                       | 219,033,548             | 257,298,465 | (153,930,179)                              | 103,368,286  |
| Madox   | Jersey City, NJ         | G                       | 2013                 | 131             | 9,679,635  | 64,594,205          | 456,215             | 9,679,635  | 65,050,420              | 74,730,055  | (4,991,743)                                | 69,738,313   |
| Mantena   | New York, NY            | G                       | 2012                 | 98              | 22,346,513   | 61,501,158          | 1,159,451           | 22,346,513                                       | 62,660,609              | 85,007,122  | (18,028,047)                               | 66,979,075   |
| Marina 41 (aka Marina Del Rey)                    | Marina Del Rey, CA      | —                       | 1973                 | 623             | —  | 168,842,442         | 9,214,698           | —  | 178,057,140             | 178,057,140 | (53,401,243)                               | 124,655,897  |
| Mariposa at Playa Del Rey (aka Playa Del Rey)     | Playa Del Rey, CA       | —                       | 2004                 | 354             | 60,900,000   | 89,311,482          | 6,259,009           | 60,900,000                                       | 95,570,491              | 156,470,491 | (28,260,197)                               | 128,210,294  |
| Mark on 8th                                       | Seattle, WA             | G                       | 2016                 | 174             | 23,004,387   | 51,148,861          | 132,254             | 23,004,387                                       | 51,281,115              | 74,285,502  | (4,399,467)                                | 69,886,035   |
| Market Street Village                             | San Diego, CA           | —                       | 2006                 | 229             | 13,740,000   | 40,757,301          | 2,433,811           | 13,740,000                                       | 43,191,112              | 56,931,112  | (21,071,334)                               | 35,859,778   |
| Milano Lofts                                      | Los Angeles, CA         | G                       | 1925/2006            | 99              | 8,125,216  | 27,378,784          | 4,128,987           | 8,125,216  | 31,507,771              | 39,632,987  | (9,253,714)                                | 30,379,273   |
| Mill Creek  | Milpitas, CA            | —                       | 1991                 | 516             | 12,858,693   | 57,168,503          | 17,604,121          | 12,858,693                                       | 74,772,624              | 87,631,317  | (39,853,420)                               | 47,777,897   |
| Monterra (CA)                                     | San Diego, CA           | —                       | 1990                 | 272             | 8,160,000  | 29,360,938          | 8,510,123           | 8,160,000  | 37,871,061              | 46,031,061  | (26,472,405)                               | 19,558,656   |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description  | Initial Cost to Company |                 |                      |                          | Cost Capitalized Subsequent to Acquisition (Improvements, net) (E) | Gross Amount Carried at Close of Period 12/31/19 |                     |                         | Investment in Real Estate, Net at 12/31/19 |                              |              |
|--|-------------------------|-----------------|----------------------|--------------------------|--|--|---------------------|-------------------------|--|------------------------------|--------------|
|  | Location                | Apartment Units | Date of Construction | Retail/ Commercial Space |  | Land   | Building & Fixtures | Building & Fixtures (A) | Total (B)                                  | Accumulated Depreciation (C) | Encumbrances |
|  |                         |                 |                      |                          |  |  |                     |                         |  |                              |              |
| Mosaic at Metro  | Hyattsville, MD         | 260             | 2008                 | —                        | 59,580,898   | 1,537,111  | —                   | 61,118,009              | 882,046                                    | —                            | 37,493,603   |
| Mountain View Redevelopment                            | Mountain View, CA       | —               | (F)                  | —                        | 882,046  | —  | —                   | 882,046                 | —  | —                            | 882,046      |
| Mozzie at Union Station                                | Los Angeles, CA         | 272             | 2007                 | 8,500,000                | 52,529,446   | 2,472,824  | 8,500,000           | 55,002,270              | 63,502,270                                 | (26,004,162)                 | 37,498,108   |
| Murray Hill Tower (fka Murray Hill)                    | New York, NY            | 270             | 1974                 | 75,800,000               | 102,705,401  | 10,547,453                                       | 75,800,000          | 113,252,854             | 189,052,854                                | (34,480,104)                 | 154,572,750  |
| Next on Sixth  | Los Angeles, CA         | 398             | 2017                 | 52,509,906               | 136,635,362  | 52,028   | 52,509,906          | 136,687,390             | 189,197,296                                | (6,067,150)                  | 183,130,146  |
| North Pier at Harborside                               | Jersey City, NJ         | 297             | 2003                 | 4,000,159                | 94,290,590   | 5,767,779  | 4,000,159           | 100,058,369             | 104,058,528                                | (53,298,183)                 | 50,760,345   |
| Northgen   | Valencia, CA            | 234             | 1988                 | 9,360,000                | 20,778,553   | 6,828,841  | 9,360,000           | 27,607,394              | 36,967,394                                 | (16,473,980)                 | 20,493,414   |
| Northpark  | Burlingame, CA          | 510             | 1972                 | 38,607,000               | 77,472,217   | 15,236,070                                       | 38,607,000          | 92,708,287              | 131,315,287                                | (40,034,278)                 | 91,281,009   |
| Northridge   | Pleasant Hill, CA       | 221             | 1974                 | 5,524,000                | 14,691,705   | 11,618,255                                       | 5,524,000           | 26,309,960              | 31,833,960                                 | (20,784,027)                 | 11,049,933   |
| Oak Park Combined                                      | Agoura Hills, CA        | 444             | 1989 & 1990          | 3,390,700                | 30,517,274   | 11,129,906                                       | 3,390,700           | 41,647,180              | 45,037,880                                 | (33,598,181)                 | 11,439,699   |
| Oaks   | Santa Clarita, CA       | 520             | 2000                 | 23,400,000               | 61,020,438   | 7,150,916  | 23,400,000          | 68,171,354              | 91,571,354                                 | (38,896,036)                 | 52,675,318   |
| Oakwood Crystal City                                   | Arlington, VA           | 162             | 1987                 | 15,400,000               | 35,474,336   | 4,164,931  | 15,400,000          | 39,639,267              | 55,039,267                                 | (11,715,439)                 | 43,323,828   |
| Ocean Crest  | Solana Beach, CA        | 146             | 1986                 | 5,111,200                | 11,910,438   | 4,831,677  | 5,111,200           | 16,742,115              | 21,853,315                                 | (11,831,439)                 | 10,021,876   |
| Odin (fka Tallman)                                     | Seattle, WA             | 301             | 2015                 | 16,807,519               | 64,519,515   | 70,389   | 16,807,519          | 64,589,904              | 81,397,423                                 | (11,050,157)                 | 70,347,266   |
| Old Town Lofts   | Redmond, WA             | 149             | 2014                 | 7,740,467                | 44,146,181   | 821,523  | 7,740,467           | 44,967,704              | 52,708,171                                 | (8,666,808)                  | 44,041,363   |
| Olympus Towers   | Seattle, WA             | 328             | 2000                 | 14,752,034               | 73,335,425   | 10,370,617                                       | 14,752,034          | 83,706,042              | 98,488,076                                 | (46,375,373)                 | 52,082,703   |
| One Henry Adams  | San Francisco, CA       | 241             | 2016                 | 30,224,393               | 139,558,692  | 22,022   | 30,224,393          | 139,580,714             | 169,805,107                                | (16,605,628)                 | 153,199,479  |
| One India Street (fka Oakwood Boston)                  | Boston, MA              | 94              | 1901                 | 22,200,000               | 28,672,979   | 6,249,693  | 22,200,000          | 34,922,672              | 57,122,672                                 | (9,689,007)                  | 47,433,665   |
| Pacific Place  | Los Angeles, CA         | 430             | 2008                 | 32,250,000               | 110,750,000  | 2,028,500  | 32,250,000          | 112,778,500             | 145,028,500                                | (31,554,841)                 | 113,473,659  |
| Packard Building                                       | Seattle, WA             | 61              | 2010                 | 5,911,041                | 19,954,959   | 1,112,353  | 5,911,041           | 21,067,312              | 26,978,353                                 | (3,941,611)                  | 23,036,742   |
| Pare 77  | New York, NY            | 137             | 1903                 | 40,504,000               | 18,025,679   | 6,560,029  | 40,504,000          | 24,585,708              | 65,089,708                                 | (14,088,276)                 | 51,001,432   |
| Parc Cameroun  | New York, NY            | 166             | 1927                 | 37,600,000               | 9,855,597  | 7,590,854  | 37,600,000          | 17,446,451              | 55,046,451                                 | (11,702,099)                 | 43,344,352   |
| Parc Coliseum  | New York, NY            | 177             | 1910                 | 52,654,000               | 23,045,751   | 9,553,310  | 52,654,000          | 32,599,061              | 85,253,061                                 | (19,280,179)                 | 65,972,882   |
| Parc East Towers                                       | New York, NY            | 324             | 1977                 | 102,163,000              | 108,989,402  | 12,219,604                                       | 102,163,000         | 121,209,006             | 223,372,006                                | (56,644,803)                 | 166,727,203  |
| Parc on Powell (fka Parkside at Emeryville)            | Emeryville, CA          | 173             | 2015                 | 16,667,059               | 65,073,509   | 419,037  | 16,667,059          | 65,492,546              | 82,159,605                                 | (12,009,148)                 | 70,150,457   |
| Park Connecticut                                       | Washington, D.C.        | 142             | 2000                 | 13,700,000               | 59,087,519   | 1,863,350  | 13,700,000          | 60,950,869              | 74,650,869                                 | (16,566,168)                 | 58,084,701   |
| Park Hacienda (fka Hacienda)                           | Pleasanton, CA          | 540             | 2000                 | 43,200,000               | 128,753,359  | 6,614,073  | 43,200,000          | 135,367,432             | 178,567,432                                | (39,974,119)                 | 138,593,313  |
| Park West (CA)   | Los Angeles, CA         | 444             | 1987/1990            | 3,033,500                | 27,302,383   | 12,126,113                                       | 3,033,500           | 39,428,496              | 42,461,996                                 | (30,924,343)                 | 11,537,653   |
| Parkside   | Union City, CA          | 208             | 1979                 | 6,246,700                | 11,827,453   | 8,185,992  | 6,246,700           | 20,013,445              | 26,260,145                                 | (13,217,770)                 | 13,042,375   |
| Pearl, The (WA)  | Seattle, WA             | 80              | 2008                 | 6,972,585                | 26,527,415   | 1,051,124  | 6,972,585           | 27,578,539              | 34,551,124                                 | (5,151,187)                  | 29,399,937   |
| Pearl MDR (fka Oakwood Marina Del Rey)                 | Marina Del Rey, CA      | 597             | 1969                 | —                        | 120,795,359  | 5,726,479  | —                   | 126,521,838             | 126,521,838                                | (38,784,120)                 | 87,737,718   |
| Pegasus  | Los Angeles, CA         | 322             | 1949/2003            | 18,094,052               | 81,905,948   | 6,904,081  | 18,094,052          | 88,810,029              | 106,904,081                                | (32,523,925)                 | 74,380,156   |
| Playa Pacifica   | Hermosa Beach, CA       | 285             | 1972                 | 35,100,000               | 33,473,822   | 23,756,377                                       | 35,100,000          | 57,230,199              | 92,330,199                                 | (13,171,766)                 | 61,158,433   |
| Portofino  | Chino Hills, CA         | 176             | 1989                 | 3,572,400                | 14,660,994   | 3,874,242  | 3,572,400           | 18,535,236              | 22,107,636                                 | (14,171,043)                 | 7,936,593    |
| Portofino (Val)  | Valencia, CA            | 216             | 1989                 | 8,640,000                | 21,487,126   | 5,837,031  | 8,640,000           | 27,324,157              | 35,964,157                                 | (17,518,529)                 | 18,445,628   |
| Portside Towers  | Jersey City, NJ         | 527             | 1992-1997            | 22,487,006               | 96,842,913   | 24,128,821                                       | 22,487,006          | 120,971,734             | 143,458,740                                | (89,422,204)                 | 54,036,536   |
| Potrero 1010   | San Francisco, CA       | 453             | 2016                 | 40,830,011               | 181,812,933  | 518,975  | 40,830,011          | 182,331,908             | 223,161,919                                | (26,294,704)                 | 196,867,215  |
| Prado (fka Glendale)                                   | Glendale, CA            | 264             | 1988                 | —                        | 67,977,313   | 5,928,659  | —                   | 73,905,972              | 73,905,972                                 | (21,102,334)                 | 52,803,638   |
| Prime, The   | Arlington, VA           | 281             | 2002                 | 34,625,000               | 77,879,740   | 2,669,467  | 34,625,000          | 80,549,207              | 115,174,207                                | (32,566,903)                 | 82,517,304   |
| Prism at Park Avenue South (fka 400 Park Avenue South) | New York, NY            | 269             | 2015                 | 76,292,169               | 171,649,131  | 208,922  | 76,292,169          | 171,858,053             | 248,150,222                                | (32,299,311)                 | 215,850,911  |
| Promenade at Town Center I & II                        | Valencia, CA            | 564             | 2001                 | 28,200,000               | 69,795,915   | 10,883,962                                       | 28,200,000          | 80,679,877              | 108,879,877                                | (44,391,535)                 | 64,488,342   |
| Providence   | Bohliel, WA             | 200             | 2000                 | 3,573,621                | 19,055,505   | 4,537,035  | 3,573,621           | 23,592,540              | 27,166,161                                 | (12,025,867)                 | 15,140,294   |
| Quarry Hills   | Quincy, MA              | 316             | 2006                 | 26,900,000               | 84,411,162   | 4,202,638  | 26,900,000          | 88,613,800              | 115,513,800                                | (25,515,603)                 | 89,998,197   |
| Radius Uptown  | Denver, CO              | 372             | 2017                 | 13,644,960               | 121,899,084  | 640,652  | 13,644,960          | 122,539,736             | 136,184,696                                | (9,914,578)                  | 126,270,118  |
| Red 160 (fka Redmond Way)                              | Redmond, WA             | 250             | 2011                 | 15,546,376               | 65,320,010   | 1,448,098  | 15,546,376          | 66,768,108              | 82,314,484                                 | (20,622,372)                 | 61,692,112   |
| Redmond Court  | Bellevue, WA            | 206             | 1977                 | 10,300,000               | 33,488,745   | 1,211,705  | 10,300,000          | 34,700,450              | 45,000,450                                 | (11,274,160)                 | 33,726,290   |

**EQUITY RESIDENTIAL**  
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**December 31, 2019**

| Description                                    | Initial Cost to Company    |                         |                      |                 | Cost Capitalized Subsequent to Acquisition (Improvements, net) (E) |                     | Gross Amount Carried at Close of Period 12/31/19 |                         | Investment in Real Estate, Net at 12/31/19 |                              |              |
|--|----------------------------|-------------------------|----------------------|-----------------|--|---------------------|--|-------------------------|--|------------------------------|--------------|
|  | Location                   | Retail/Commercial Space | Date of Construction | Apartment Units | Land   | Building & Fixtures | Land   | Building & Fixtures (A) | Total (B)                                  | Accumulated Depreciation (C) | Encumbrances |
| Regency Palms                                  | Huntington Beach, CA       | —                       | 1969                 | 310             | 1,857,400  | 16,713,254          | 1,857,400  | 23,985,681              | 25,843,081                                 | (19,161,878)                 | 6,681,203    |
| Reserve at Clarendon Centre, The               | Arlington, VA              | G                       | 2003                 | 252             | 10,500,000   | 52,812,935          | 10,500,000                                       | 57,668,846              | 68,168,846                                 | (32,743,477)                 | 35,425,369   |
| Reserve at Eisenhower, The                     | Alexandria, VA             | —                       | 2002                 | 226             | 6,500,000  | 34,585,060          | 6,500,000  | 39,437,518              | 45,937,518                                 | (22,240,250)                 | 23,697,268   |
| Reserve at Empire Lakes                        | Rancho Cucamonga, CA       | —                       | 2005                 | 467             | 16,345,000   | 73,080,670          | 16,345,000                                       | 76,974,406              | 93,319,406                                 | (39,080,433)                 | 54,238,973   |
| Reserve at Fairfax Corner                      | Fairfax, VA                | —                       | 2001                 | 652             | 15,804,057   | 63,129,051          | 15,804,057                                       | 75,368,119              | 91,172,176                                 | (44,632,394)                 | 46,539,782   |
| Reserve at Mountain View (aka Mountain View)   | Mountain View, CA          | —                       | 1965                 | 180             | 27,000,000   | 33,029,605          | 27,000,000                                       | 40,638,519              | 67,638,519                                 | (12,863,114)                 | 54,775,405   |
| Reserve at Potomac Yard                        | Alexandria, VA             | —                       | 2002                 | 588             | 11,918,917   | 68,862,641          | 11,918,917                                       | 86,118,876              | 98,037,793                                 | (45,846,659)                 | 52,191,134   |
| Reserve at Town Center I-III (WA)              | Mill Creek, WA             | G                       | 2001, 2009, 2014     | 584             | 16,768,705   | 77,623,664          | 16,768,705                                       | 86,161,917              | 102,930,622                                | (36,697,179)                 | 66,233,443   |
| Residences at Westgate I (aka Westgate II)     | Pasadena, CA               | G                       | 2014                 | 252             | 17,859,785   | 109,259,858         | 17,859,785                                       | 109,737,702             | 127,597,487                                | (72,453,042)                 | 45,249,504   |
| Residences at Westgate II (aka Westgate III)   | Pasadena, CA               | G                       | 2015                 | 88              | 12,118,248   | 40,486,467          | 12,118,248                                       | 40,584,298              | 52,702,546                                 | (7,453,042)                  | 45,249,504   |
| Rianna I & II                                  | Seattle, WA                | G                       | 2000/2002            | 156             | 4,430,000  | 29,298,096          | 4,430,000  | 30,706,453              | 35,136,453                                 | (12,521,975)                 | 22,614,478   |
| Ridgewood Village I&II                         | San Diego, CA              | —                       | 1997                 | 408             | 11,809,500   | 34,004,048          | 11,809,500                                       | 40,156,701              | 51,966,201                                 | (27,801,818)                 | 24,164,383   |
| Riva Terra I (aka Redwood Shores)              | Redwood City, CA           | —                       | 1986                 | 304             | 34,963,355   | 84,587,658          | 34,963,355                                       | 91,140,547              | 126,103,902                                | (27,578,186)                 | 98,525,716   |
| Riva Terra II (aka Harborside)                 | Redwood City, CA           | —                       | 1986                 | 149             | 17,136,645   | 40,536,531          | 17,136,645                                       | 44,068,578              | 61,205,223                                 | (12,214,368)                 | 48,990,855   |
| Riverpark                                      | Redmond, WA                | G                       | 2009                 | 321             | 14,355,000   | 80,894,049          | 14,355,000                                       | 85,039,743              | 99,394,743                                 | (27,531,587)                 | 71,863,156   |
| Rivington, The                                 | Hoboken, NJ                | —                       | 1999                 | 240             | 34,340,640   | 112,522,073         | 34,340,640                                       | 114,908,039             | 149,248,679                                | (11,203,805)                 | 138,044,874  |
| Rosecliff II                                   | Quincy, MA                 | —                       | 2005                 | 130             | 4,922,840  | 30,202,160          | 4,922,840  | 31,777,192              | 36,700,032                                 | (11,139,316)                 | 25,560,716   |
| Sakum Crossing                                 | Los Angeles, CA            | G                       | 2009                 | 230             | 14,641,990   | 42,838,010          | 14,641,990                                       | 44,366,484              | 59,008,474                                 | (16,104,349)                 | 42,904,125   |
| Saxon  | Seattle, WA                | G                       | 2019                 | 325             | 38,805,400   | 128,661,766         | 38,805,400                                       | 128,662,987             | 167,468,387                                | (11,067,731)                 | 166,361,656  |
| Seventh & James                                | Seattle, WA                | G                       | 1992                 | 96              | 663,800  | 5,974,803           | 663,800  | 10,534,710              | 11,198,510                                 | (8,193,189)                  | 3,005,321    |
| Sheffield Court                                | Arlington, VA              | —                       | 1986                 | 597             | 3,342,381  | 31,337,332          | 3,342,381  | 48,174,512              | 51,516,893                                 | (39,604,857)                 | 11,912,036   |
| Sienna Terrace                                 | Lake Forest, CA            | —                       | 1988                 | 336             | 8,900,000  | 24,083,024          | 8,900,000  | 31,756,491              | 40,656,491                                 | (22,703,857)                 | 17,952,634   |
| Skycrest                                       | Valencia, CA               | —                       | 1999                 | 264             | 10,560,000   | 25,574,457          | 10,560,000                                       | 32,013,753              | 42,573,753                                 | (19,701,076)                 | 22,872,677   |
| Skyhouse Denver                                | Denver, CO                 | G                       | 2017                 | 354             | 13,562,331   | 126,360,318         | 13,562,331                                       | 126,620,506             | 140,182,837                                | (10,544,133)                 | 129,638,704  |
| Skylink  | Union City, CA             | —                       | 1986                 | 174             | 1,781,600  | 16,731,916          | 1,781,600  | 22,425,621              | 24,207,221                                 | (15,390,513)                 | 8,816,708    |
| Skyline Terrace                                | Burlingame, CA             | —                       | 1967 & 1987          | 138             | 16,836,000   | 35,414,000          | 16,836,000                                       | 44,099,848              | 60,935,848                                 | (16,883,846)                 | 44,052,002   |
| Skyview  | Rancho Santa Margarita, CA | —                       | 1999                 | 260             | 3,380,000  | 21,952,863          | 3,380,000  | 27,905,610              | 31,285,610                                 | (18,956,521)                 | 12,329,089   |
| SoMa II  | San Francisco, CA          | —                       | (F)                  | —               | 29,406,606   | 5,863,582           | 29,406,606                                       | 5,863,582               | 35,270,188                                 | —                            | 35,270,188   |
| Sonterra at Foothill Ranch                     | Foothill Ranch, CA         | —                       | 1997                 | 300             | 7,503,400  | 24,048,507          | 7,503,400  | 30,152,332              | 37,655,732                                 | (21,265,834)                 | 16,389,898   |
| South City Station (aka South San Francisco)   | San Francisco, CA          | G                       | 2007                 | 368             | 68,900,000   | 79,476,861          | 68,900,000                                       | 84,973,586              | 153,873,586                                | (24,542,210)                 | 129,331,376  |
| Southwood                                      | Palo Alto, CA              | —                       | 1985                 | 100             | 6,936,600  | 14,324,069          | 6,936,600  | 21,298,401              | 28,235,001                                 | (13,871,734)                 | 14,363,267   |
| Springbrook Estates                            | Riverside, CA              | —                       | (F)                  | —               | 18,200,000   | 1,145,000           | 18,200,000                                       | 1,145,000               | 19,345,000                                 | —                            | 19,345,000   |
| Springline                                     | Seattle, WA                | G                       | 2016                 | 136             | 9,163,667  | 47,910,981          | 9,163,667  | 48,324,428              | 57,488,095                                 | (6,348,664)                  | 51,139,431   |
| STOA   | Los Angeles, CA            | G                       | 2017                 | 237             | 25,326,048   | 79,976,031          | 25,326,048                                       | 80,331,128              | 105,657,176                                | (4,420,377)                  | 101,236,799  |
| Summerset Village                              | Chatsworth, CA             | —                       | 1985                 | 280             | 2,890,450  | 23,670,889          | 2,890,450  | 32,173,643              | 35,064,093                                 | (25,071,401)                 | 9,992,692    |
| Summit at Sausalito (aka Sausalito)            | Sausalito, CA              | —                       | 1978                 | 198             | 26,000,000   | 28,435,024          | 26,000,000                                       | 38,261,475              | 64,261,475                                 | (13,610,363)                 | 50,651,112   |
| Ten23 (aka 500 West 23rd Street)               | New York, NY               | G                       | 2011                 | 111             | —  | 58,881,873          | 839,289  | 59,721,162              | 59,721,162                                 | (16,244,073)                 | 43,477,089   |
| Terraces, The                                  | San Francisco, CA          | G                       | 1975                 | 117             | 14,087,610   | 16,314,151          | 14,087,610                                       | 18,617,877              | 32,705,487                                 | (7,132,658)                  | 25,572,829   |
| Third Square                                   | Cambridge, MA              | G                       | 2008/2009            | 471             | 26,767,171   | 218,822,728         | 26,767,171                                       | 227,533,692             | 254,300,863                                | (86,467,715)                 | 167,833,148  |
| Three20  | Seattle, WA                | G                       | 2013                 | 134             | 7,030,766  | 29,005,762          | 7,030,766  | 29,789,017              | 36,819,783                                 | (8,010,054)                  | 28,809,729   |
| Toscana  | Irvine, CA                 | —                       | 1991/1993            | 563             | 39,410,000   | 50,806,072          | 39,410,000                                       | 74,347,820              | 113,757,820                                | (44,385,604)                 | 69,372,216   |
| Town Square at Mark Center I (aka Millbrook I) | Alexandria, VA             | —                       | 1996                 | 406             | 24,360,000   | 86,178,714          | 24,360,000                                       | 95,715,308              | 120,075,308                                | (47,769,571)                 | 72,305,737   |
| Town Square at Mark Center II                  | Alexandria, VA             | —                       | 2001                 | 272             | 15,568,464   | 55,029,607          | 15,568,464                                       | 59,461,390              | 75,029,854                                 | (23,267,306)                 | 51,762,548   |
| Troy Boston                                    | Boston, MA                 | G                       | 2015                 | 378             | 34,641,051   | 181,607,331         | 34,641,051                                       | 182,265,300             | 216,906,351                                | (16,175,931)                 | 200,730,420  |
| Urbana (aka Market Street Landing)             | Seattle, WA                | G                       | 2014                 | 289             | 12,542,418   | 75,800,090          | 12,542,418                                       | 77,928,538              | 90,470,956                                 | (20,704,557)                 | 69,766,399   |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description | Apartment Name  | Location           | Retail/<br>Commercial<br>Space | Date of<br>Construction | Apartment<br>Units | Initial Cost to<br>Company |                        |                        | Cost<br>Capitalized<br>Subsequent to<br>Acquisition<br>(Improvements,<br>net) (E) |                            |                       | Gross Amount Carried at<br>Close of Period 12/31/19 |                       |                                 | Investment<br>in Real<br>Estate, Net at<br>12/31/19 |                                 |              |
|-------------|---|--------------------|--------------------------------|-------------------------|--------------------|----------------------------|------------------------|------------------------|---|----------------------------|-----------------------|---|-----------------------|---------------------------------|---|---------------------------------|--------------|
|             |   |                    |                                |                         |                    | Land                       | Building &<br>Fixtures | Building &<br>Fixtures | Land  | Building &<br>Fixtures (A) | Total (B)             | Accumulated<br>Depreciation (C)                     | Total (B)             | Accumulated<br>Depreciation (C) | Total (B)   | Accumulated<br>Depreciation (C) | Encumbrances |
|             | Uwajinaya Village                                     | Seattle, WA        | —                              | 2002                    | 176                | 8,800,000                  | 22,188,288             | 4,603,487              | 8,800,000   | 26,791,775                 | 35,591,775            | (12,717,581)  | 22,874,194            | (12,717,581)                    | 22,874,194  | —                               | —            |
|             | Vantage Pointe  | San Diego, CA      | G                              | 2009                    | 679                | 9,403,960                  | 190,596,040            | 10,700,900             | 9,403,960   | 201,296,940                | 210,700,900           | (73,412,146)  | 137,288,754           | (73,412,146)                    | 137,288,754   | —                               | —            |
|             | Velcoe  | Redmond, WA        | G                              | 2009                    | 322                | 15,322,724                 | 76,176,594             | 1,876,091              | 15,322,724  | 78,052,685                 | 93,375,409            | (23,071,740)  | 70,303,669            | (23,071,740)                    | 70,303,669  | —                               | —            |
|             | Venue at the Promenade                                | Castle Rock, CO    | —                              | 2017                    | 312                | 8,355,048                  | 83,752,689             | 89,298                 | 8,355,048   | 83,841,987                 | 92,197,035            | (4,260,814)   | 87,936,221            | (4,260,814)                     | 87,936,221  | —                               | —            |
|             | Venue Condominium Homes (Ika Mission Vente, LLC)      | San Jose, CA       | —                              | 1986                    | 108                | 5,190,700                  | 9,679,109              | 4,541,057              | 5,190,700   | 14,220,166                 | 19,410,866            | (10,817,710)  | 8,593,156             | (10,817,710)                    | 8,593,156   | —                               | —            |
|             | Veridian (Ika Silver Spring)                          | Silver Spring, MD  | G                              | 2009                    | 457                | 18,539,817                 | 130,407,365            | 3,911,967              | 18,539,817  | 134,319,332                | 152,859,149           | (48,528,051)  | 104,331,098           | (48,528,051)                    | 104,331,098   | —                               | —            |
|             | Versailles  | Woodland Hills, CA | —                              | 1991                    | 253                | 12,650,000                 | 33,656,292             | 8,301,520              | 12,650,000  | 41,957,812                 | 47,238,968            | (24,444,631)  | 30,163,181            | (24,444,631)                    | 30,163,181  | —                               | —            |
|             | Versailles (K-Town)                                   | Los Angeles, CA    | —                              | 2008                    | 225                | 10,590,975                 | 44,409,025             | 1,768,461              | 10,590,975  | 46,177,486                 | 56,766,461            | (18,704,272)  | 38,064,189            | (18,704,272)                    | 38,064,189  | —                               | —            |
|             | Victor on Venice                                      | Los Angeles, CA    | G                              | 2006                    | 115                | 10,350,000                 | 35,433,437             | 1,455,531              | 10,350,000  | 36,888,968                 | 47,238,968            | (17,138,982)  | 30,099,986            | (17,138,982)                    | 30,099,986  | —                               | —            |
|             | Villa Solana  | Laguna Hills, CA   | —                              | 1984                    | 272                | 1,665,100                  | 14,985,677             | 11,916,441             | 1,665,100   | 26,902,118                 | 28,567,218            | (21,819,381)  | 6,747,837             | (21,819,381)                    | 6,747,837   | —                               | —            |
|             | Village at Del Mar Heights, The (Ika Del Mar Heights) | San Diego, CA      | —                              | 1986                    | 168                | 15,100,000                 | 40,859,396             | 3,059,227              | 15,100,000  | 43,918,623                 | 59,018,623            | (13,135,144)  | 45,883,479            | (13,135,144)                    | 45,883,479  | —                               | —            |
|             | Virginia Square                                       | Arlington, VA      | G                              | 2002                    | 231                | —                          | 85,940,003             | 6,071,125              | —   | 92,011,128                 | 92,011,128            | (25,981,773)  | 66,029,355            | (25,981,773)                    | 66,029,355  | —                               | —            |
|             | Vista 99 (Ika Tasman)                                 | San Jose, CA       | —                              | 2016                    | 554                | 27,709,329                 | 177,551,020            | 530,009                | 27,709,329  | 178,081,029                | 205,790,358           | (26,777,048)  | 179,013,310           | (26,777,048)                    | 179,013,310   | —                               | —            |
|             | Vista Del Lago  | Mission Viejo, CA  | —                              | 1986-1988               | 608                | 4,525,800                  | 40,736,293             | 18,471,821             | 4,525,800   | 59,208,114                 | 63,733,914            | (50,585,532)  | 13,148,382            | (50,585,532)                    | 13,148,382  | —                               | —            |
|             | Walden Park   | Cambridge, MA      | —                              | 1966                    | 232                | 12,448,888                 | 52,044,448             | 4,534,927              | 12,448,888  | 56,579,375                 | 69,028,263            | (21,419,276)  | 47,608,987            | (21,419,276)                    | 47,608,987  | —                               | —            |
|             | Water Park Towers                                     | Arlington, VA      | —                              | 1989                    | 362                | 34,400,000                 | 108,485,859            | 10,352,960             | 34,400,000  | 118,838,819                | 153,238,819           | (34,973,941)  | 118,264,878           | (34,973,941)                    | 118,264,878   | —                               | —            |
|             | Watertown Square                                      | Watertown, MA      | G                              | 2005                    | 134                | 16,800,000                 | 34,074,056             | 1,780,526              | 16,800,000  | 35,854,582                 | 52,654,582            | (10,288,446)  | 42,366,136            | (10,288,446)                    | 42,366,136  | —                               | —            |
|             | West 9th  | New York, NY       | G                              | 1987                    | 207                | 84,800,000                 | 67,055,501             | 6,032,361              | 84,800,000  | 73,087,862                 | 157,887,862           | (23,339,208)  | 134,548,654           | (23,339,208)                    | 134,548,654   | —                               | —            |
|             | West End Apartments (Ika Emerson Place/CRP II)        | Boston, MA         | G                              | 2008                    | 310                | 469,546                    | 163,123,022            | 4,644,170              | 469,546   | 167,767,192                | 168,236,738           | (67,233,339)  | 101,003,399           | (67,233,339)                    | 101,003,399   | —                               | —            |
|             | Westchester at Rockville                              | Rockville, MD      | —                              | 2009                    | 192                | 10,600,000                 | 44,135,207             | 1,115,325              | 10,600,000  | 45,250,532                 | 55,850,532            | (12,723,620)  | 43,126,912            | (12,723,620)                    | 43,126,912  | —                               | —            |
|             | Westmont  | New York, NY       | G                              | 1986                    | 163                | 64,900,000                 | 61,143,259             | 5,556,773              | 64,900,000  | 66,700,032                 | 131,600,032           | (19,263,749)  | 112,336,283           | (19,263,749)                    | 112,336,283   | —                               | —            |
|             | Westside  | Los Angeles, CA    | —                              | 2004                    | 204                | 34,200,000                 | 56,962,630             | 3,224,934              | 34,200,000  | 60,187,564                 | 94,387,564            | (17,012,037)  | 77,375,527            | (17,012,037)                    | 77,375,527  | —                               | —            |
|             | Westside Barrington (Ika Westside Villas III)         | Los Angeles, CA    | —                              | 1999                    | 36                 | 3,060,000                  | 5,538,871              | 1,138,171              | 3,060,000   | 6,677,042                  | 9,769,223             | (4,172,543)   | 5,596,679             | (4,172,543)                     | 5,596,679   | —                               | —            |
|             | Westside Barry (Westside Villas VI)                   | Los Angeles, CA    | —                              | 1989                    | 18                 | 1,530,000                  | 3,023,523              | 731,986                | 1,530,000   | 3,755,509                  | 5,285,509             | (2,345,294)   | 2,940,215             | (2,345,294)                     | 2,940,215   | —                               | —            |
|             | Westside Beloit (Ika Westside Villas I)               | Los Angeles, CA    | —                              | 1999                    | 21                 | 1,785,000                  | 3,233,254              | 748,943                | 1,785,000   | 3,982,197                  | 5,767,197             | (2,551,527)   | 3,215,670             | (2,551,527)                     | 3,215,670   | —                               | —            |
|             | Westside Bundy (Ika Westside Villas II)               | Los Angeles, CA    | —                              | 1999                    | 23                 | 1,955,000                  | 3,541,435              | 760,287                | 1,955,000   | 4,301,722                  | 6,256,722             | (2,680,002)   | 3,576,720             | (2,680,002)                     | 3,576,720   | —                               | —            |
|             | Westside Butler (Ika Westside Villas IV)              | Los Angeles, CA    | —                              | 1999                    | 36                 | 3,060,000                  | 5,539,390              | 1,169,833              | 3,060,000   | 6,709,223                  | 9,769,223             | (4,174,963)   | 5,594,260             | (4,174,963)                     | 5,594,260   | —                               | —            |
|             | Westside Villas (Ika Westside Villas V & VII)         | Los Angeles, CA    | —                              | 1999 & 2001             | 113                | 9,605,000                  | 19,983,385             | 2,834,458              | 9,605,000   | 22,817,843                 | 32,422,843            | (14,084,170)  | 18,338,673            | (14,084,170)                    | 18,338,673  | —                               | —            |
|             | Windridge (CA)  | Laguna Niguel, CA  | —                              | 1989                    | 344                | 2,662,900                  | 23,985,497             | 12,894,049             | 2,662,900   | 36,879,546                 | 39,542,446            | (29,263,863)  | 10,278,583            | (29,263,863)                    | 10,278,583  | —                               | —            |
|             | Wood Creek I  | Pleasant Hill, CA  | —                              | 1987                    | 256                | 9,729,900                  | 23,009,768             | 10,186,943             | 9,729,900   | 33,196,711                 | 42,926,611            | (24,464,128)  | 18,462,483            | (24,464,128)                    | 18,462,483  | —                               | —            |
|             | Woodleaf  | Campbell, CA       | —                              | 1984                    | 178                | 8,550,600                  | 16,988,183             | 5,276,931              | 8,550,600   | 22,265,114                 | 30,815,714            | (16,233,694)  | 14,582,020            | (16,233,694)                    | 14,582,020  | —                               | —            |
|             | Management Business                                   | Chicago, IL        | —                              | (D)                     | —                  | —                          | —                      | 120,063,148            | —   | 120,063,148                | 120,063,148           | (100,043,672)                                       | 20,019,476            | (100,043,672)                   | 20,019,476  | —                               | —            |
|             | Operating Partnership                                 | Chicago, IL        | —                              | (F)                     | —                  | —                          | 3,342,110              | —                      | —   | 3,342,110                  | 3,342,110             | —   | —                     | —                               | 3,342,110   | —                               | —            |
|             | Other   | N/A                | —                              | —                       | —                  | —                          | —                      | 99,015                 | —   | 99,015                     | 99,015                | (46,097)  | 52,918                | (46,097)                        | 52,918  | —                               | —            |
|             | <b>Wholly Owned Unencumbered</b>                      |                    |                                |                         | <b>68,002</b>      | <b>5,112,513,000</b>       | <b>16,729,302,793</b>  | <b>1,566,452,557</b>   | <b>5,112,513,000</b>  | <b>18,295,755,350</b>      | <b>23,408,268,350</b> | <b>(6,199,955,243)</b>                              | <b>17,208,313,107</b> | <b>(6,199,955,243)</b>          | <b>17,208,313,107</b>                               | —                               | —            |

**Wholly Owned Encumbered:**

|  |                  |   |           |     |            |             |            |            |             |             |              |             |              |             |            |  |
|--|------------------|---|-----------|-----|------------|-------------|------------|------------|-------------|-------------|--------------|-------------|--------------|-------------|------------|--|
| 2501 Porter  | Washington, D.C. | — | 1988      | 202 | 13,000,000 | 75,271,179  | 6,881,392  | 13,000,000 | 82,152,571  | 95,152,571  | (23,752,603) | 71,399,968  | (23,752,603) | 71,399,968  | (H)        |  |
| 300 East 39th (Ika East 39th)                          | New York, NY     | G | 2001      | 254 | 48,900,000 | 96,174,639  | 5,454,780  | 48,900,000 | 101,629,419 | 150,529,419 | (29,129,896) | 121,399,523 | (29,129,896) | 121,399,523 | 61,827,655 |  |
| 303 East 83rd (Ika Cumague)                            | New York, NY     | G | 1976      | 261 | 79,400,000 | 79,122,624  | 9,514,116  | 79,400,000 | 88,636,740  | 168,036,740 | (25,938,650) | 142,098,090 | (25,938,650) | 142,098,090 | (H)        |  |
| 425 Broadway   | Santa Monica, CA | G | 2001      | 101 | 12,600,000 | 34,394,772  | 3,743,997  | 12,600,000 | 38,138,769  | 50,738,769  | (9,169,257)  | 39,569,512  | (9,169,257)  | 39,569,512  | (H)        |  |
| 55 West Fifth I & II (Ika Townhouse Plaza and Gardens) | San Mateo, CA    | — | 1964/1972 | 241 | 21,041,710 | 71,931,323  | 13,813,466 | 21,041,710 | 85,744,789  | 106,786,499 | (29,022,401) | 77,764,098  | (29,022,401) | 77,764,098  | 24,527,815 |  |
| Alycove  | Seattle, WA      | G | 2004      | 162 | 11,379,497 | 49,360,503  | 1,521,001  | 11,379,497 | 50,881,504  | 62,261,001  | (11,900,832) | 50,360,169  | (11,900,832) | 50,360,169  | 27,246,175 |  |
| Avanti   | Anaheim, CA      | — | 1987      | 162 | 12,960,000 | 18,497,683  | 4,104,266  | 12,960,000 | 22,601,949  | 35,561,949  | (11,252,625) | 24,309,324  | (11,252,625) | 24,309,324  | 28,015,078 |  |
| Avenir Apartments                                      | Boston, MA       | G | 2009      | 241 | —          | 114,321,619 | 5,726,350  | —          | 120,047,969 | 120,047,969 | (32,447,760) | 87,600,209  | (32,447,760) | 87,600,209  | 85,443,736 |  |
| Calvert Woodley  | Washington, D.C. | — | 1962      | 136 | 12,600,000 | 43,527,379  | 2,412,100  | 12,600,000 | 45,939,479  | 58,539,479  | (13,266,223) | 45,273,256  | (13,266,223) | 45,273,256  | (H)        |  |



**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description                       | Initial Cost to Company                                  |   |                          |                      | Cost Capitalized Subsequent to Acquisition (Improvements, net)(E) | Gross Amount Carried at Close of Period 12/31/19 |                     |                         |             | Investment in Real Estate, Net at 12/31/19 |                     |               |               |               |
|-----------------------------------|--|---|--------------------------|----------------------|---|--|---------------------|-------------------------|-------------|--|---------------------|---------------|---------------|---------------|
|                                   | Apartment Units  | Location                                  | Retail/ Commercial Space | Date of Construction |   | Land   | Building & Fixtures | Building & Fixtures (A) | Total (B)   | Accumulated Depreciation (C)               | Total (B) minus (C) | Encumbrances  |               |               |
| Partially Owned Encumbered:       | 113  | Redmond, WA                               | —                        | 1991                 | 3,397,100   | 9,289,074  | 2,960,815           | 3,397,100               | 12,249,889  | 15,646,989                                 | (8,780,971)         | 6,866,018     | 9,248,429     |               |
|                                   | 70   | Santa Monica, CA                          | —                        | 1978                 | 9,000,000   | 16,930,326                                       | 2,141,605           | 9,000,000               | 19,091,931  | 28,091,931                                 | (5,582,509)         | 22,509,422    | (H)           |               |
|                                   | 214  | Washington, D.C.                          | —                        | 1953                 | 18,300,000  | 66,392,414                                       | 5,509,932           | 18,300,000              | 71,902,346  | 90,202,346                                 | (20,430,345)        | 69,772,001    | (H)           |               |
|                                   | 247  | Arlington, VA                             | —                        | 1991                 | 23,500,000  | 53,045,073                                       | 3,113,933           | 23,500,000              | 56,159,006  | 79,659,006                                 | (16,792,580)        | 62,866,426    | (H)           |               |
|                                   | 208  | Glendale, CA                              | G                        | 2013                 | 14,080,560  | 56,419,440                                       | 1,010,321           | 14,080,560              | 57,429,761  | 71,510,321                                 | (14,460,258)        | 57,050,063    | 38,356,888    |               |
|                                   | 450  | Estancia at Santa Clara (fka Santa Clara) | —                        | 2000                 | —   | 123,759,804                                      | 1,914,108           | —                       | 125,673,912 | 125,673,912                                | (36,538,855)        | 89,135,057    | (H)           |               |
|                                   | 392  | Fairchase, Fairfax, VA                    | —                        | 2007                 | 23,500,000  | 87,722,321                                       | 1,576,897           | 23,500,000              | 89,299,218  | 112,799,218                                | (24,613,974)        | 88,185,244    | (H)           |               |
|                                   | 263  | Stamford, CT                              | G                        | 1996                 | 6,510,200   | 39,690,120                                       | 9,165,718           | 6,510,200               | 48,855,838  | 55,366,038                                 | (36,158,521)        | 19,207,517    | 31,381,614    |               |
|                                   | 306  | Flats at DuPont Circle                    | —                        | 1967                 | 35,200,000  | 108,768,198                                      | 4,181,605           | 35,200,000              | 112,949,803 | 148,149,803                                | (29,876,521)        | 118,273,282   | (H)           |               |
|                                   | 201  | Los Angeles, CA                           | G                        | 2008                 | 16,047,023  | 48,650,963                                       | 3,529,222           | 16,047,023              | 52,180,185  | 68,227,208                                 | (17,906,742)        | 50,320,466    | 32,367,606    |               |
|                                   | 104  | Seattle, WA                               | G                        | 2006                 | 5,425,000   | 21,138,028                                       | 1,887,584           | 5,425,000               | 23,025,612  | 28,450,612                                 | (10,762,358)        | 17,688,254    | 22,562,286    |               |
|                                   | 132  | Irvine, CA                                | —                        | 2008                 | 10,752,145  | 34,628,115                                       | 851,673             | 10,752,145              | 35,479,788  | 46,231,933                                 | (14,415,041)        | 31,816,892    | 26,242,091    |               |
|                                   | 155  | Colma, CA                                 | G                        | 2005                 | —   | 41,251,044                                       | 3,207,542           | —                       | 44,458,586  | 44,458,586                                 | (19,788,954)        | 24,669,632    | 25,008,472    |               |
|                                   | 212  | Arlington, VA                             | —                        | 2005                 | 20,100,000  | 67,909,023                                       | 785,733             | 20,100,000              | 68,694,756  | 88,794,756                                 | (18,393,776)        | 70,400,980    | 42,942,461    |               |
|                                   | 348  | Walham, MA                                | —                        | 2004                 | 20,880,000  | 90,255,509                                       | 10,395,783          | 20,880,000              | 100,651,292 | 121,531,292                                | (49,137,968)        | 72,393,324    | 84,192,433    |               |
|                                   | 102  | Seattle, WA                               | G                        | 2002                 | 8,540,000   | 12,209,981                                       | 2,455,932           | 8,540,000               | 14,665,913  | 23,205,913                                 | (7,193,891)         | 16,012,022    | 21,468,471    |               |
|                                   | 251  | Seattle, WA                               | G                        | 2009                 | 12,649,228  | 36,842,012                                       | 1,903,142           | 12,649,228              | 38,745,154  | 51,394,382                                 | (14,892,031)        | 36,502,351    | (I)           |               |
|                                   | 575  | San Mateo, CA                             | G                        | 2001                 | 71,900,000  | 211,907,141                                      | 13,628,927          | 71,900,000              | 225,536,068 | 297,436,068                                | (64,679,195)        | 232,756,873   | (H)           |               |
|                                   | 410  | SoMa Square Apartments (fka South Market) | G                        | 1986                 | 79,900,000  | 177,316,977                                      | 15,704,742          | 79,900,000              | 193,021,719 | 272,921,719                                | (52,889,334)        | 220,032,385   | (H)           |               |
|                                   | 112  | Square One, Seattle, WA                   | —                        | 2014                 | 7,222,544   | 26,277,456                                       | 99,319              | 7,222,544               | 26,376,775  | 33,599,319                                 | (6,486,674)         | 27,112,645    | (I)           |               |
|                                   | 440  | Teresina, Chula Vista, CA                 | —                        | 2000                 | 28,600,000  | 61,916,670                                       | 7,609,660           | 28,600,000              | 69,526,330  | 98,126,330                                 | (34,235,450)        | 63,890,880    | 37,940,000    |               |
|                                   | 298  | Vantage Hollywood, Los Angeles, CA        | —                        | 1987                 | 42,580,326  | 56,014,674                                       | 2,850,265           | 42,580,326              | 58,864,939  | 101,445,265                                | (13,149,796)        | 88,295,469    | 39,550,471    |               |
| 300                               | Vintage, Ontario, CA                                     | —   | 2005-2007                | 7,059,230            | 47,677,762  | 1,742,159  | 7,059,230           | 49,419,921              | 56,479,151  | (23,528,467)                               | 32,950,684          | 49,085,671    |               |               |
| 60                                | Vintage at 425 Broadway (fka Promenade)                  | G   | 1934-2001                | 9,000,000            | 13,961,523  | 1,918,439  | 9,000,000           | 15,879,962              | 24,879,962  | (4,816,090)                                | 20,063,872          | (H)           |               |               |
| 222                               | West 54th, New York, NY                                  | G   | 2001                     | 60,900,000           | 48,193,837  | 4,230,586  | 60,900,000          | 52,424,423              | 113,324,423 | (16,852,716)                               | 96,471,707          | 48,684,032    |               |               |
| 480                               | Westgate (fka Westgate I), Pasadena, CA                  | —   | 2010                     | 22,898,848           | 133,467,158   | 3,178,513  | 22,898,848          | 136,645,671             | 159,544,519 | (42,104,815)                               | 117,439,704         | 96,409,896    |               |               |
| Portfolio/Entity Encumbrances (I) |  |   |                          |                      |   | —  | —                   | —                       | —           | —  | —                   | —             | 798,230,171   |               |
| Wholly Owned Encumbered           |  |   |                          |                      |   | 8,425  | 769,823,411         | 2,274,256,364           | 160,725,623 | 769,823,411                                | 3,204,805,398       | (792,348,079) | 2,412,457,319 | 1,630,731,451 |
| Partially Owned Unencumbered:     |  |   |                          |                      |   |  |                     |                         |             |  |                     |               |               |               |
| 92                                | Seattle, WA  | G   | 1992                     | 7,173,725            | 796,800   | 14,786,153                                       | 7,612,428           | 796,800                 | 15,582,953  | 15,582,953                                 | (11,840,195)        | 3,742,758     | —             |               |
| —                                 | Washington, DC   | G   | (F)                      | —                    | —   | 3,566,064  | —                   | —                       | 3,566,064   | 3,566,064                                  | —                   | 3,566,064     | —             |               |
| 162                               | San Diego, CA  | —   | 1989                     | 4,869,448            | 11,955,064  | 4,156,380  | 4,869,448           | 20,980,892              | 20,980,892  | (11,815,991)                               | 9,164,901           | —             |               |               |
| 256                               | Agoura Hills, CA   | —   | 1985                     | 6,105,000            | 29,561,865  | 7,265,339  | 6,105,000           | 36,827,204              | 42,932,204  | (22,480,257)                               | 20,451,947          | —             |               |               |
| 166                               | Harrison Square (fka Elliot Bay), Seattle, WA            | G   | 1992                     | 7,600,000            | 35,844,345  | 5,653,924  | 7,600,000           | 41,498,269              | 49,098,269  | (12,916,108)                               | 36,182,161          | —             |               |               |
| 301                               | Radius Koreatown, Los Angeles, CA                        | —   | 2014/2016                | 32,494,154           | 84,645,202  | 276,918  | 32,494,154          | 84,922,120              | 117,416,274 | (11,662,625)                               | 105,753,649         | —             |               |               |
| 156                               | Rosecliff, Quincy, MA                                    | —   | 1990                     | 5,460,000            | 15,721,570  | 4,373,677  | 5,460,000           | 20,095,247              | 25,555,247  | (13,904,866)                               | 11,650,381          | —             |               |               |
| 136                               | Strayhorse at Arrowhead Ranch, Glendale, AZ              | —   | 1998                     | 4,400,000            | 12,968,001  | 1,162,489  | 4,400,000           | 14,130,490              | 18,530,490  | (7,106,675)                                | 11,423,815          | —             |               |               |
| 350                               | Venn at Main, Bellevue, WA                               | G   | 2016                     | 26,626,497           | 151,652,048   | 226,783  | 26,626,497          | 151,878,831             | 178,505,328 | (15,894,448)                               | 162,610,880         | —             |               |               |
| 228                               | Wood Creek II (fka Willow Brook (CA)), Pleasant Hill, CA | —   | 1985                     | 5,055,000            | 38,388,672  | 9,286,416  | 5,055,000           | 47,675,088              | 52,730,088  | (25,490,323)                               | 27,239,765          | —             |               |               |
| Partially Owned Unencumbered      |  |   |                          |                      |   | 1,847  | 93,406,899          | 391,476,556             | 40,014,354  | 93,406,899                                 | 524,897,809         | (133,111,488) | 391,786,321   | —             |
| Partially Owned Encumbered:       |  |   |                          |                      |   |  |                     |                         |             |  |                     |               |               |               |
| —                                 | Alameda, CA  | G   | (F)                      | —                    | 13,107,242  | 18,347,948                                       | —                   | 13,107,242              | 18,347,948  | 31,455,190                                 | —                   | 31,455,190    | 7,049,636     |               |
| 180                               | Bellevue Meadows, WA                                     | —   | 1983                     | 4,507,100            | 12,574,814  | 5,863,119  | 4,507,100           | 18,437,933              | 22,945,033  | (13,949,169)                               | 8,995,864           | 16,526,976    |               |               |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

| Description | Initial Cost to Company                             |                 |                         |                      | Cost Capitalized Subsequent to Acquisition (Improvements, net) (E) |                  | Gross Amount Carried at Close of Period 12/31/19 |                  |                         | Investment in Real Estate, Net at 12/31/19 |                              |                   |
|-------------|---|-----------------|-------------------------|----------------------|--|------------------|--|------------------|-------------------------|--|------------------------------|-------------------|
|             | Apartment Name                                      | Location        | Retail/Commercial Space | Date of Construction | Apartment Units  | Land             | Building & Fixtures                              | Land             | Building & Fixtures (A) | Total (B)                                  | Accumulated Depreciation (C) | Encumbrances      |
|             | Canyon Creek (CA)                                   | San Ramon, CA   | —                       | 1984                 | 268  | 5,425,000        | 18,812,120                                       | 5,425,000        | 26,723,880              | 32,148,880                                 | (18,327,786)                 | 28,171,906        |
|             | Lantern Cove  | Foster City, CA | —                       | 1985                 | 232  | 6,945,000        | 23,064,976                                       | 6,945,000        | 30,385,600              | 37,330,600                                 | (19,807,488)                 | 36,439,783        |
|             | Schooner Bay I                                      | Foster City, CA | —                       | 1985                 | 168  | 5,345,000        | 20,390,618                                       | 5,345,000        | 26,244,774              | 31,589,774                                 | (17,054,268)                 | 28,854,243        |
|             | Schooner Bay II                                     | Foster City, CA | —                       | 1985                 | 144  | 4,550,000        | 18,064,764                                       | 4,550,000        | 23,441,478              | 27,991,478                                 | (15,168,558)                 | 26,159,132        |
|             | Surrey Downs  | Bellevue, WA    | —                       | 1986                 | 122  | 3,057,100        | 7,848,618  | 3,057,100        | 11,381,330              | 14,438,430                                 | (8,356,388)                  | 9,829,000         |
|             | Virgil Square                                       | Los Angeles, CA | —                       | 1979                 | 142  | 5,500,000        | 15,216,613                                       | 5,500,000        | 18,596,838              | 24,096,838                                 | (10,021,205)                 | 14,075,633        |
|             | Wisconsin Place                                     | Chevy Chase, MD | —                       | 2009                 | 432  | —                | 172,089,355                                      | —                | 173,639,676             | 173,639,676                                | (48,686,702)                 | 147,953,509       |
|             | <b>Partially Owned Encumbered</b>                   |                 |                         |                      | 1,688  | 48,436,442       | 306,409,826                                      | 48,436,442       | 347,199,427             | 395,635,869                                | (151,371,564)                | 310,878,101       |
|             | <b>Total Consolidated Investment in Real Estate</b> |                 |                         |                      | 79,962   | \$ 6,024,179,752 | \$ 19,701,445,539                                | \$ 6,024,179,752 | \$ 21,509,427,674       | \$ 27,533,607,426                          | \$ (7,276,786,374)           | \$ 20,256,821,052 |
| (1)         | See attached Encumbrances Reconciliation.           |                 |                         |                      |  |                  |  |                  |                         |  |                              | \$ 1,941,609,552  |

**EQUITY RESIDENTIAL**  
**ERP OPERATING LIMITED PARTNERSHIP**  
**Schedule III - Real Estate and Accumulated Depreciation**  
**December 31, 2019**

**NOTES:**

- (A) The balance of furniture & fixtures included in the total investment in real estate amount was \$1,916,458,010 as of December 31, 2019.
- (B) The cost, net of accumulated depreciation, for Federal Income Tax purposes as of December 31, 2019 was approximately \$13.7 billion (unaudited).
- (C) The life to compute depreciation for building is 30 years, for building improvements ranges from 5 to 15 years, for furniture & fixtures, replacements and renovations is 5 to 10 years and for lease intangibles is the average remaining term of each respective lease.
- (D) This asset consists of various acquisition dates and largely represents furniture, fixtures and equipment, leasehold improvements and computer equipment and software costs owned by the Management Business, which are generally depreciated over periods ranging from 3 to 7 years.
- (E) Primarily represents capital expenditures for building improvements, replacements and renovations incurred subsequent to each property's acquisition date.
- (F) Primarily represents land and/or construction-in-progress on projects either held for future development or projects currently under development.
- (G) A portion of these properties includes and/or will include retail/commercial space (including parking garages).
- (H) See Encumbrances Reconciliation schedule.
- (I) Boot property for Bond Partnership mortgage pool.

# Corporate Data

## Board of Trustees

Samuel Zell<sup>5,6</sup>

Chairman of the Board, Equity Residential  
Chairman of the Board,  
Equity Group Investments, LLC

Mark J. Parrell<sup>5,6</sup>

President and Chief Executive Officer,  
Equity Residential

Charles L. Atwood<sup>1,3,4,5</sup>

Former Vice Chairman, Harrah's Entertainment,  
Inc.

Raymond Bennett<sup>2</sup>

Chief Global Officer, Global Operations, Marriott  
International, Inc.

Linda Walker Bynoe<sup>2,4</sup>

President and Chief Executive Officer, Telemat Ltd.

Connie K. Duckworth<sup>3,4</sup>

Former Partner and Managing Director,  
The Goldman Sachs Group, Inc.

Mary Kay Haben<sup>3,4</sup>

Former President-North America,  
William Wrigley Jr. Company

Tahsinul Zia Huque<sup>2</sup>

Private Investor

Bradley A. Keywell<sup>3</sup>

Chief Executive Officer, Uptake Technologies, Inc.

John E. Neal<sup>2,5</sup>

Retired Partner, Linden LLC

David J. Neithercut<sup>5</sup>

Former President and Chief Executive Officer,  
Equity Residential

Mark S. Shapiro<sup>3,4</sup>

President, Endeavor

Stephen E. Sterrett<sup>2,3,5</sup>

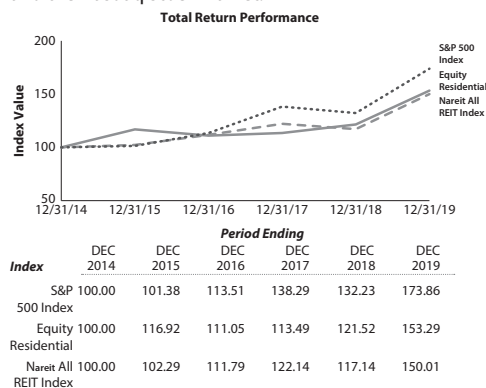
Former Chief Financial Officer, Simon Property  
Group, Inc.

1 Lead Trustee, 2 Audit Committee, 3 Compensation  
Committee, 4 Corporate Governance Committee,  
5 Executive Committee, 6 Pricing Committee

## Total Shareholder Returns

Performance Graph 2015-2019

The following graph compares our shareholder return (assuming reinvestment of dividends) since December 31, 2014 with the S&P 500 Index and the index of All REITs prepared by Nareit. The graph assumes an investment of \$100 in Equity Residential and the two indexes on December 31, 2014. The Nareit All REIT index includes all tax-qualified REITs listed on the NYSE, the American Stock Exchange and the Nasdaq Stock Market.



## Corporate Office

Equity Residential

Two North Riverside Plaza, Suite 500  
Chicago, Illinois 60606-2609  
Phone: 312.474.1300  
www.equityapartments.com

Available at our website at  
www.equityapartments.com in the Investor  
Section are our Corporate Governance Guidelines,  
Code of Ethics and Business Conduct, Declaration  
of Trust, Bylaws, Committee Charters, Political  
Contributions Policy, Executive Compensation  
Clawback Policy and our 2019 Environmental,  
Social + Governance Report.

## Executive Officers

Mark J. Parrell

President and Chief Executive Officer

Barry S. Altshuler

Executive Vice President-Investments

Alexander Brackenridge

Executive Vice President-Investments

Scott J. Fenster

Executive Vice President and General Counsel

Robert A. Garechana

Executive Vice President and  
Chief Financial Officer

Alan W. George

Executive Vice President and  
Chief Investment Officer

Michael L. Manelis

Executive Vice President and  
Chief Operating Officer

Christa L. Sorenson

Executive Vice President and Chief Human  
Resources Officer

## Auditor

Ernst & Young LLP  
Chicago, Illinois

## Transfer Agent

To keep securities information up-to-date and to  
ensure that record holders of Equity Residential  
securities receive financial information as soon as  
possible after mailing, please advise the transfer  
agent of your new address or change of name.  
Write to them directly at:

First Class/Registered/Certified Mail:  
Computershare Investor Services  
P.O. Box 505000  
Louisville, KY 40233-5000

Courier Services:  
Computershare Investor Services  
462 South 4th Street, Suite 1600  
Louisville, KY 40202

Or call, 800.733.5001  
www.computershare.com/investor

## Shareholders

The number of record holders of Equity  
Residential common shares at February 14, 2020  
was approximately 2,030. The number of  
outstanding common shares as of February 14,  
2020 was 371,978,449.

## Form 10-K and Other Reports

Requests for Equity Residential's Form 10-K filed  
with the Securities and Exchange Commission  
(SEC) and any other inquiries from individuals and  
institutional investors should be directed to:

Martin J. McKenna

First Vice President-Investor and Public Relations  
Equity Residential

Two North Riverside Plaza, Suite 500

Chicago, Illinois 60606-2609

Phone: 888.879.6356

Email: InvestorRelations@eqr.com

The SEC also maintains a website that contains  
reports, proxy information and statements, and  
other information regarding registrants who file  
electronically with the SEC. The website address is:  
www.sec.gov.

## Distribution Reinvestment Plan

Equity Residential offers a Distribution  
Reinvestment Plan. For an information packet,  
including the plan prospectus and enrollment  
form, please call the Plan Administrator,  
Computershare, at 800.733.5001.

**Equity Residential**

Two North Riverside Plaza, Suite 500  
Chicago, IL 60606-2609

[www.equityapartments.com](http://www.equityapartments.com)