

2020 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 residential properties located in and around dynamic cities that attract high quality long-term renters.

- **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 nearly 80,000 apartment units located in Boston, New York, Washington, D.C., Seattle, San Francisco, Southern California and Denver.**

Dear Fellow Shareholders:

2020 was a year like no other. We began the year with great demand for our apartments and were experiencing record levels of resident retention, driven by our focus on customer service. Then in March 2020, everything changed. COVID-19 spread through the country and we, like everyone else, had to reinvent how we do business. We quickly pivoted and over a few week period adjusted our leasing and service operations dramatically. On the leasing side, we were able to quickly create a touchless process that made our customers comfortable to lease. On the service side, we focused on essential maintenance tasks and cleanliness which helped our existing residents feel safe and comfortable living with us through this pandemic. Our 2,600 employees did a great job quickly pivoting to these remote sales and service formats and the lessons we learned about rapid business transformation will serve us well in the future.

In the subsequent months, our business felt the impact from the general shock to the economy from the pandemic. The closing of businesses and stay at home orders provided an opportunity for some of our residents to leave their apartments in the urban center and wait out the pandemic in more suburban settings. We experienced a decline in our physical occupancy as well as a reduction in our rental rates and the introduction of concessions to generate interest in our apartments.

Fortunately, our business is resilient. We still saw good demand for our units, albeit at lower prices, and the great majority of our residents continued to pay their rent. We maintained an average residential collection rate of approximately 97% throughout the pandemic.



Service techs at 855 Brannan, San Francisco, CA

INVESTING IN 2021 AND BEYOND

While we certainly acknowledge that the pandemic has created unique challenges, we see 2021 as a year of recovery for Equity Residential. We expect that we will post improving, though still negative, numbers throughout the year as demand continues to grow and the lagging impact of concessions abate. Going forward, we believe that Equity Residential's business will recover quickly as it typically has coming out of recessions. All of this is, of course, premised on continuing progress in controlling the virus and an assumption that other general economic conditions remain supportive. Turning to the long-term, we believe that the fundamental factors that have long made Equity Residential an attractive place to invest your capital remain just as true as before the pandemic.

First, our capital is invested in markets that will continue to be the centers of the knowledge economy that drives the growth of this country. These are the centers of innovation in technology, finance, entertainment, medicine and life sciences. Even in the pandemic, we have seen announcements of new high quality jobs in our urban centers, particularly new content creation and technology jobs.

And while the remote work trend may change the number of days that we are in the office, we are by our nature social animals. Our need to interact with each other, to create, to share ideas, to manage our businesses and start new ones is not being met by meetings on a video screen.

Second, we believe that the entertainment, cultural and social attractions that fill the great urban centers in which we operate will soon reopen and will again prove to be magnets for affluent renters. We believe that many renters desire both work proximity as well as easy access to amazing entertainment, cultural and social opportunities our cities will provide once they are reopened. Not to mention the ability to live in an exciting, dynamic and diverse community. Our residents that live in our more urban properties do so because they value the lifestyle our country's great urban centers afford.

Third, we have a highly skilled, affluent customer base able to afford our rent and to accept future rent increases as conditions improve. Our residents are well employed in growing industries like technology, biotech and new media. These are industries that we also think are less susceptible over time to job loss from increasing waves of automation and offshoring. During the pandemic period, overall unemployment rose to almost 15% and is now around 6% while job losses for those with a bachelor's degree or better, our target demographic, peaked at 8.2% and has now gone down to 3.8%. We think the quality of our customer base is, over the long haul, one of our greatest strengths.

Our Resident

Equity Residential's high caliber resident works in the highest earning sectors of the economy and is not rent burdened – creating the ability to raise rents more readily in good economic times and reducing risk during downturns.

- Median resident age: 33 years old
- 2020 EQR average household income: approximately \$160,000
- 2020 U.S. average household income: \$88,000
- 2020 average EQR resident rent as a % of income: 19.6%
- Less than 4% of the job losses during the recent economic downturn have been people making more than \$150,000 per year.
- We have collected approximately 97% on average of our monthly residential income during the pandemic.



Residents at Third Square Apartments in Cambridge, MA, thank essential workers

Fourth, the superior quality and location of our portfolio that makes our properties attractive places for our residents to live also makes our properties attractive places for private investors to invest their capital, making our properties liquid and appreciating in value over the long-term. Capital has long been drawn to the higher quality properties we own and we believe that will continue to be the case even in hard hit markets like New York and San Francisco once the pandemic abates. We also believe that the lower amount of long-term capital spending required to maintain our properties and income streams compare favorably with that of older, lower-quality apartment buildings.

But our portfolio can always be improved and you should expect us to be more active recyclers of capital over the next few years. As we said even before the pandemic, in order to create the most stable and growing cash flow stream possible for our investors, we are inclined to further diversify our portfolio into higher-end suburban locations in our current markets as well as into a few select new markets with favorable long-term supply and demand characteristics and a growing affluent renter base. These affluent renters are found in abundance in our existing markets but there are also increasing concentrations of them in denser suburbs near city centers of our existing markets and in places like Denver, a market we reentered in 2018. Consistent with this shift, we have acquired properties in suburban Seattle and Washington, D.C. with strong resident demographics and you should expect us to enter several new markets over the next few years. We plan to fund this by lowering our concentration of assets in the city centers of our existing markets and by exiting assets elsewhere that do not meet our return parameters.

NEW SUPPLY

The number of new apartment units delivered in 2020 was impacted by the pandemic. As a result, approximately 52,000 apartment units were delivered in our markets, more than 10,000 fewer apartment units than we would have expected. More than 60,000 apartment units are anticipated to be delivered in our markets in 2021. The impact from these deliveries will be felt primarily at the submarket level. Construction costs remain persistently high and labor and material shortages along with lower current rents lead us to believe that deliveries of new supply will be significantly lower in future years. In fact, our internal research of proposed supply within a few miles of our property locations, which is the most impactful supply to our financial results, shows it is likely to decline sharply in 2023.

FOCUS ON OPERATIONS AND INNOVATION

We have long been a leader in deploying and investing in property technology. Having been a first mover in such important areas as revenue management and online leasing, we understand the important role that technology plays in our business. Our operations benefitted from having initiatives in these areas already in place when the pandemic hit, allowing us to interact with our customers in a safe and responsible manner, including:

- Transforming the sales function through the use of artificial intelligence to automate electronic lead response and create self-guided tours and a virtual tour process for prospective residents.
- Transforming the customer service experience by digitizing resident touchpoints in our new resident portal.
- Transforming our service function through the introduction of a service mobility platform that digitizes all work orders and inspections. We leveraged this platform during the pandemic to rapidly assess and execute reopening plans.

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 will continue to pursue opportunities to enhance the resident experience through automation, allowing us to serve our residents in a manner that works for them. We regularly survey our residents for feedback on our performance and use this survey data to create customer loyalty scores that have an impact on our property employees' annual compensation. We continue to score well on these metrics compared to industry benchmarks despite a very tough operating year in 2020.

We have a constant focus on optimization in our operations. Centralization of functions that do not need to be performed on site and digitizing touchpoints to improve the customer and employee experiences in order to create flexibility are key components of this process. In 2021, we are implementing our new customer relationship management application which will enable more efficient sales follow up and the ability to flex our sales staff across multiple locations. We will also enhance our data and analytics capabilities in order to test next-generation revenue management systems. Harvesting data and analytics to improve operations as well as investment decisions will create an abundance of opportunities to transform how we do business.

Our 2020 operating performance reflects the impact from the pandemic. Our same store residential revenues and net operating income declined 2.9% and 5.0%, respectively from 2019. Our Normalized Funds From Operations were \$3.26 per share in 2020, down from \$3.49 per share in 2019.

THE REGULATORY ENVIRONMENT AND ADDRESSING THE AFFORDABLE HOUSING SHORTAGE

There is a lack of affordable, work-force housing in many U.S. markets, but rent control is not the answer, as it has proven time and time again to be a 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. We will continue to oppose rent control and other instances

of excessive government regulation that lead to fewer housing units being produced and to overall disinvestment in housing. This view is consistently supported by academic research and real life experience. We supported the successful effort in 2020 to defeat Prop 21, a California ballot measure that would have permitted local governments to expand rent control.

There is much that must be done to address the affordable housing issue. In doing our part, we currently own and operate nearly 4,800 apartment units across our portfolio that participate in an affordability program. We also partner with local nonprofits to provide free or discounted housing in our markets and have recently made a \$5 million investment in a fund that is focused on the preservation of affordable housing.

At the outset of the pandemic, various government entities enacted limitations on evictions. These were initially well-intentioned responses to an emergency, but in 2021 these limits risk morphing into longer-term limitations that deter future housing investment and prevent landlords from meeting their obligations to pay property taxes to hard-pressed municipalities, pay employees, maintain assets and make mortgage payments. We see recent activities by the federal government to provide financial assistance to renters as a more sustainable way to help renters in need while maintaining the stability of the current housing system and encouraging future housing investment.



Our retail partner, Tarallucci, delivers meals to NYU Langone Health

FINANCIAL STABILITY

Our balance sheet has never been in better shape. We firmly believe that prudent capital management through operating cycles and transformative events creates financial flexibility, better access to various capital sources and reduced interest rate risk. We are 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 various sources of secured debt including the GSEs and the life insurance companies.

Some 2020 Highlights:

- 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.
- Maintained substantial liquidity provided by our \$2.5 billion unsecured revolving credit facility (inclusive of our \$1.0 billion unsecured commercial paper program).
- In 2020, we paid down nearly \$1.0 billion in the aggregate in debt, further strengthening our balance sheet. We addressed upcoming maturities by using the proceeds from asset sales as well as cash on hand and borrowings under our commercial paper program to satisfy our obligation on our \$750 million 4.625% unsecured notes due in December 2021 by discharging them pursuant to their indenture. We now have no significant 2021 or 2022 debt maturities.
- Maintain a well-staggered debt maturity schedule and limited near-term funding obligations with over 85% of our assets unencumbered.

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.

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. Our ESG activities are driven by a wide array of individuals across our organization, from the individual property to the boardroom. We also engage our stakeholders for feedback on key issues and these inputs help guide our investment and operating strategy.

Some ESG Highlights:

- Were recognized as an Industry Leader in ESG again in 2020 by GRESB. We were given a 5-Star rating and named Residential-Americas-Regional Listed Development Sector Leader and Residential-Americas-Regional Development Sector Leader.
- Met goal to reduce greenhouse gas emissions earlier than expected. We will set ambitious new goals this year and continue to strive to reduce our environmental impact.
- Executive management led listening sessions in 2020 with small groups of employees focusing on diversity and inclusion, leading to the creation of a task force of employees at various levels and roles. The task force's recommendations on topics like improved transparency in promotion practices were approved and are being implemented in 2021.
- Signed the CEO Action for Diversity & Inclusion Pledge, an initiative which aims to rally the business community to advance diversity and inclusion within the workplace.

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

Our 2,600 employees are at the heart of our success. Their hard work and dedication to our customers and each other has been vital as we have maneuvered through the challenges that the pandemic and the economic downturn have created. They embraced change and practiced flexibility and creativity as they looked after themselves, their families, their customers and their colleagues with a focus on health and safety and customer service. We look to them to drive the success that Equity Residential will enjoy in 2021 and beyond.

We have a commitment to our employees' engagement and wellness. During the pandemic we have supported our employees by offering wellness programs that address the stress and anxiety that many are feeling, we created the ability for corporate functions to work from home and, as we discussed, adapted our operations to allow for remote or no touch interaction at our properties. We made additional sick leave available for our employees and paid special bonuses to our service and concierge teams who were required to be on site during the pandemic.

On employee engagement, we regularly survey our employees for feedback on a variety of topics related to their jobs, including perceptions on executive leadership. We use these surveys to create annual employee engagement scores and are very pleased that we continue to score well on this metric against industry benchmarks. These scores are also inputs to our executive compensation program, further motivating our leaders to support our employees.

LEADERSHIP TRANSITION

We are saying goodbye to two of our key employees in 2021. Alan George, our Chief Investment Officer, and Christa Sorenson, our Chief Human Resources Officer are both retiring in 2021. Alan was a key architect of our portfolio strategy since our beginning as a public company and played an integral role in our success for the past nearly three decades. Christa helped build and lead our best-in-class human resources organization and was instrumental in the development of many of our leadership and management programs. We greatly appreciate all of their contributions to Equity Residential's success and wish them the very best in their respective retirements. Fortunately, we have a strong focus on succession management and as a result, were able to fill both their roles with experienced internal candidates. Alec Brackenridge succeeded Alan as Chief Investment Officer. Alec served as our Executive Vice President of Investments since 2015 and has held various investments and asset management positions in our organization since 1993. Catherine Carraway has taken over as our Chief Human Resources Officer after serving in various leadership roles in our human resources group over the last twenty years, most recently as a Senior Vice President overseeing our compensation and benefits programs. We welcome them both to our executive management team.

BOARD TRANSITION

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.

Our Board acknowledges the importance of board refreshment and has been laser focused on this key topic. As part of this refreshment process, we are pleased to have added Angela Aman to the Board in December 2020. Angela serves as Executive Vice President, Chief Financial Officer and Treasurer at Brixmor Property Group, a publicly traded company which owns and operates open-air shopping centers. She brings a wealth of experience in real estate finance, management and capital markets.

At the same time we are saying goodbye to Brad Keywell, who will be stepping down from the Board in June 2021 after more than ten years of service. Brad has been a highly valued Trustee and his insights and guidance, particularly on technology issues, have been tremendously impactful. We wish him the very best.

Over the past six years, we have had four independent trustees retire and have added five new independent trustees, adding new perspectives and diverse talent to compliment the strong skill set of our Board. As a result, 75% of our trustees are considered independent and our independent trustees have an average tenure of 7.2 years of service.

2021 AND BEYOND

While challenging operating results will continue in 2021, we are confident that this year will be one of recovery for Equity Residential. Continued strength in demand is pushing physical occupancy up across the portfolio, especially in our urban properties. Early signs of the return of pricing power are also evident across our markets driven by higher physical occupancy and the reopening of cities.

We have provided operating guidance that calls for our same store revenues to decline by 7% to 9% in 2021, which would mark some of the most challenging year over year performance in the Company's history. But we are optimistic that we will return to growth soon. Assuming progress continues against the pandemic and conditions remain supportive, we expect the first half of 2021 to be the low point in our reported numbers and expect marked improvement in the second half of 2021. Our portfolio has proved resilient and recovered quickly during previous downturns and we expect it to do so again.

While our Company will be impacted, 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.

We will continue to focus on improving the resident experience by harnessing innovation and utilizing technology. We will also continue to refine our portfolio by expanding it to select new markets that have superior supply and demand dynamics and an ample affluent renter demographic.

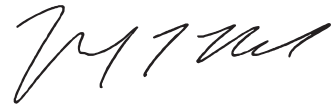
Equity Residential is well positioned to recover from the current economic downturn and benefit from the growth in the knowledge economy as well as the reopening of our nation's great urban centers. We look forward to many years of creating shareholder value on your behalf.

We appreciate your continued support.

Regards,



Sam Zell
Chairman



Mark J. Parrell
President and CEO

**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, 2020

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of Beneficial Interest, \$0.01 Par Value (Equity Residential)	EQR	New York Stock Exchange
7.57% Notes due August 15, 2026 (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 ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

ERP Operating Limited Partnership:

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☒ Smaller reporting company ☐

Emerging growth company ☐

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

Equity Residential ☐ ERP Operating Limited Partnership ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 \$21.7 billion based upon the closing price on June 30, 2020 of \$58.82 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.

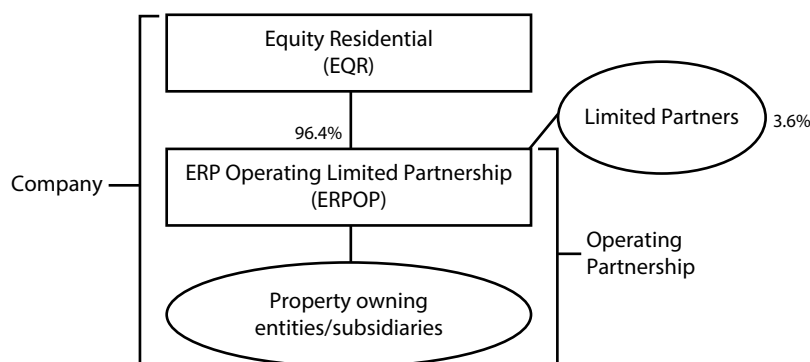
The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on February 12, 2021 was 372,663,215.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information that will be contained in Equity Residential's Proxy Statement relating to its 2021 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, 2020, 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, 2020 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, 2020 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 residential properties located in and around dynamic cities that attract high quality long-term renters. 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.

EQR is the general partner of, and as of December 31, 2020 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.

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, our proxy statements and any amendments to any of those reports/statements we file with the Securities and Exchange Commission (“SEC”) free of charge on our website, www.equityapartments.com. These reports are made available on our website as soon as reasonably practicable after we file them with the SEC. The information contained on our website, including any information referred to in this report as being available on our website, is not a part of or incorporated into this report.

Business Objectives and Operating and Investing Strategies

Overview

The Company is one of the largest U.S. publicly-traded owners and operators of high-quality rental apartment properties with a portfolio primarily located in urban and dense suburban communities in and around Boston, New York, Washington, D.C., Southern California (including Los Angeles, Orange County and San Diego), San Francisco, Seattle and Denver. Our markets continue to be the primary knowledge centers of the U.S. economy drawing the talented workers and employers that drive economic growth in the United States. Our properties are located in places that are attractive to knowledge workers whom we hope to convert into satisfied long-term residents.

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 others about how much they love living in an Equity Residential property. We utilize technology and other innovative methods of engagement to foster relationships and community, improve the resident experience and operate our business more efficiently. Our disciplined balance sheet management enhances returns and value creation while maintaining flexibility to take advantage of future opportunities. We believe that our stakeholders value stability, liquidity, predictability and accountability and that is the mission to which we remain unwaveringly committed.

Equity Residential is committed to creating communities where people thrive. We carry this, our corporate 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, total well-being of our employees and being a responsible corporate citizen in the communities in which we operate, which is especially relevant when we face unprecedented challenges like the novel coronavirus (“COVID-19”) pandemic.

Despite the challenges we have faced with the COVID-19 pandemic, we believe that the long-term prospects for our business remain strong. Our well-located communities are in and around dynamic cities that we believe will continue to attract high quality long-term renters. When the pandemic subsides, we believe urban centers will re-energize and once again provide significant networking and other benefits for current and prospective residents who may have temporarily deferred, but not abandoned, their desire to live in vibrant major U.S. metropolitan areas.

Investment Strategy

The Company’s long-term strategy is to invest in apartment communities located in strategically targeted markets 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. We also consider governmental fiscal health, political/regulatory risk and resiliency of our targeted markets. The markets we focus on generally feature one or more of the following characteristics that allow us to drive performance:

- High single-family housing prices relative to rental housing costs leading to less competition from owned or rented single-family housing;
- Strong generators of economic growth often characterized 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;
- 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 other demand drivers.

We believe our strategy capitalizes on the preference of renters of all ages to live in the locations where we operate that typically are near to transportation (both public transit and convenient highway access), entertainment and cultural amenities. Demand for rental housing is driven primarily by household formations from the Millennial segment and increasingly from the Generation Z segment of our population. Millennials, born between 1981 and 2000, total approximately 78 million people and are disproportionately renters. They also tend 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 30 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. 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.

Overall, our high-quality resident tends to work in the highest earning sectors of the economy and is not rent burdened, creating the ability to raise rents more readily in good economic times and reducing risk during downturns. Many of these workers are employed in the fields of Science, Technology, Engineering and Mathematics, or STEM jobs. They have experienced significantly lower job loss during COVID-19. Once it subsides, we believe we are extremely well positioned to benefit for many years to come as a result of the significant impact the various generations discussed above will have on rental housing.

Over the last decade, 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, it is our intention over time to further diversify our portfolio into select new markets that share the same characteristics as our current markets and to optimize the mix of our properties located in urban vs. dense suburban submarkets within our existing markets.

Operations and Innovation

We attempt to 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 success prior to the pandemic in renewing our residents is due to our focus on the resident experience. This focus has driven the strong occupancy and renewal rate growth that we have achieved over the last several years prior to the COVID-19 pandemic, which we would expect to return once the pandemic subsides.

Technology continues to drive innovation in the rental industry and to evolve at a rapid pace. We have been and continue to be a leader in deploying and investing in property technology to serve our customers better and operate more efficiently. Having been a first mover in such important areas as revenue management and online leasing, we are focused on technology that improves our operating margins and customer experience while also meeting the current needs of our customers, including addressing the challenges of the pandemic. We 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. Our operations benefitted from having many of these initiatives in place during the pandemic, allowing us to interact with our customers in a safe and responsible manner, including self-guided tours, automated responses to customer inquiries and enhanced service and maintenance management. While we believe areas such as “smart home” technology and others will provide the foundation for current and future improvements to how we do business, we will continue to consider the cost and longevity of technology capital investments versus the benefits.

Our Commitment to Environmental, Social and Governance (“ESG”)

At Equity Residential, we believe a focus on ESG is a key way to programmatically address stakeholder concerns as part of our corporate purpose. 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 consider building locations based on walkability, accessibility, neighborhoods and parks. We also design our communities to support amenities such as fitness centers and we select locations near shops, healthy restaurants and health and wellness programs, enabling a low carbon footprint lifestyle for our residents to live, work and play.

Our sustainability goals help us focus efforts and drive outcomes to create a more sustainable future for all. We are especially focused 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.

We are also intensely focused on the “Social” and “Governance” aspects of ESG. As detailed below, we have a commitment to our employees’ engagement, diversity and wellness that is the foundation of our corporate purpose. We also recognize that a successful company must incorporate the best corporate governance practices in order to better serve its stakeholders.

In 2018, the Company became the first multifamily REIT ever to issue a “green bond”. As a result, the net proceeds of approximately \$396.7 million from the offering were allocated to eligible green/sustainable certified projects. For additional information regarding our ESG efforts, see our November 2020 Environmental, Social and Governance Report at our website, www.equityapartments.com. This report, which includes Sustainability Accounting Standards Board disclosures and incorporates recommendations from the Task Force on Climate-related Financial Disclosures, 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. Furthermore, our annual proxy statements contain additional information on our corporate governance practices. Such annual proxy statements and the information contained therein are not part of or incorporated into this report.

Human Capital

At Equity Residential, our team of approximately 2,600 employees is the driving force behind our success. We believe that our richly diverse work environment captures top talent, cultivates the best ideas and creates the widest possible platform for this success in line with our corporate purpose of “*Creating communities where people thrive.*” Our core principles, affectionately named “Ten Ways to Be a Winner,” guide our behavior as individuals and collectively as a team, helping us in our goal to deliver market-leading performance. As part of our Ten Ways to Be a Winner, we encourage our team members to raise questions, take educated risks, offer new ideas and help us make the right decisions. One way we live the “Ten Ways” is by enriching our culture through our core “Equity Values”—Diversity and Inclusion, Social Responsibility, Sustainability and Total Well-Being. We have assembled an employee-led Equity Values Council to lead our efforts on these values by acting as change agents to drive initiatives, create goals and awareness, and encourage colleagues to participate in community service activities and wellness initiatives. In addition, executive compensation is based, in part, on meeting important Equity Values goals, and our Board of Trustees takes an active role in overseeing our efforts in this regard.

Diversity and Inclusion

- Our commitment to diversity and inclusion starts at the top with a highly skilled and diverse Board of Trustees.
- We are committed to hiring a diverse workforce and also fostering a safe, inclusive and productive workplace for all employees. We believe providing a work environment based on respect, trust and collaboration creates an exceptional employee experience where employees can bring their whole selves to work and thrive in their careers. In recent years, we have created a Director of Diversity and Inclusion position to oversee this crucial work.
- To further prioritize the importance of our diversity and inclusion efforts, our executives' annual compensation goals include an evaluation of objective metrics measuring our Company's progress in this regard.
- We have the benefit of a diverse workforce, of which 60.0% currently identify as ethnically diverse. We also continue to focus on improving our female representation, which is now 37.0% of our workforce.
- Going forward, we plan to continue to strategically identify opportunities to increase the diversity of our talent pipeline at all levels, including by actively sourcing diverse candidates for mid-management and above positions.

Pay Equity

- In order to attract and retain the best employees, we are committed to providing a total compensation package which is market-based, performance driven, fair and internally equitable.
- Our goal is to be competitive both within the general employment market as well as with our competitors in the real estate industry, with our strongest performers being paid more.
- Base pay is reviewed annually, as is Equity Residential's compensation framework, by partnering with managers to create and update job descriptions that reflect the duties, skills, experience and education required to perform the role, and then benchmarking our jobs against third-party compensation surveys to determine the market value of the job.
- During the year-end evaluation process, managers review and calibrate compensation for all employees on their team, in an effort to ensure equitableness around our pay practices and allow us to retain and reward our top talent.

Employee Engagement

- Employee engagement and experience are extremely important at Equity Residential. In 2020, we decided to collect employee engagement feedback through frequent pulse surveys (instead of an annual survey like we have historically done), allowing us to check in more often and respond more immediately on employee feedback gathered, especially in light of hardships experienced by many on a personal level as a result of the COVID-19 pandemic and social unrest.
- Senior leaders are assessed annually on their leadership results, which for 2020 was measured by the more frequent pulse survey scores, employee retention and diversity and inclusion efforts.
- The pulse survey ratings from employees in 2020 demonstrated a favorable attitude toward leadership and highlighted our leaders' ability to effectively lead through adversity. Furthermore, the survey results reflected strong scores on our diversity and inclusion efforts.

Training and Development

- We believe a successful workplace is one where employees constantly learn and grow. Our internal Organization and Talent Development (“OTD”) team is interspersed throughout our markets and works regularly with employees to expand their knowledge and skills. OTD develops and delivers a wide range of training and development opportunities, from tactical to strategic, face-to-face to virtual, social learning to self-directed learning, and more. In 2020, each employee completed an average of 13 hours of dedicated learning at a Company expenditure of over \$1,350 per employee.

Health, Safety and Wellness

- Equity Residential is committed to providing the tools and resources to help our employees achieve total well-being. Whether physical, financial, career, social or community well-being, Equity Residential offers benefits to help meet our employee needs.
 - Physical - Equity Residential is focused on providing benefits that help our employees achieve balance and address good health proactively, with coverage for emergencies and ongoing needs that can arise as well. Long before healthcare reform, Equity Residential made a commitment to cover 100% of employee preventive care. This commitment—and our robust and highly popular Vitality Wellness Program—has made proactive personal healthcare more accessible and manageable for employees, while encouraging ongoing healthy behaviors and rewarding employees for taking a proactive approach to their health.
 - Financial - These benefits and resources help our employees manage their money better today, while preparing for financial milestones and retirement in the future. Financial peace of mind is at the core of these offerings, whether it’s our generous 401(k) match, basic and supplemental insurance to ensure our loved ones and possessions are cared for, rent discounts at our properties or additional savings and investment options like our employee share purchase plan.
 - Career - When employees move up in skill and experience, so does Equity Residential. We encourage our employees to “test their limits,” push the boundaries of their comfort zones and seek new challenges through several learning resources and courses, in addition to tuition reimbursement. We actively promote from within, and many senior corporate and property leaders have risen from entry level or junior positions.
 - Social and Community - We offer a number of benefits that foster social and community well-being, including paid time off to volunteer in our communities.
- Throughout the COVID-19 pandemic, we have communicated regularly with employees and also released a comprehensive guide designed as a single place for employees to access information on critical benefits and resources. A key focus included mental well-being to help employees better cope with the challenges to our work routines, our home routines and how we interact with our family, friends and community.
- For nearly two years, we have partnered with Employees1st to provide financial relief via a crisis fund for employees struck by personal hardships or unforeseen disasters. The Company contributed additional funds to the Employees1st crisis fund to further support employees who experienced hardship as a result of the COVID-19 pandemic. We are proud that this program allows yet another avenue for us to tangibly demonstrate our One Team culture by ensuring that employees are safe and secure, especially during extreme or catastrophic circumstances.
- For further discussion, please refer to Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, for the Company’s responses related to health and safety issues during the COVID-19 pandemic.

Competition

All of the Company’s properties are located in developed areas with multiple housing choices, including other multifamily properties. The number of competitive housing choices or 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 housing providers 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.

Regulatory Considerations

See Item 1A, *Risk Factors*, for information concerning the potential effects of governmental regulations, including 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 the COVID-19 Pandemic

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.

In March 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on movement and business operations such as travel bans, border closings, business closures, quarantines, social distancing and shelter-in-place orders. The COVID-19 pandemic has also caused, and may likely continue to cause, severe economic, market and other disruptions worldwide. There can be no assurance that conditions will not continue to deteriorate as a result of the pandemic.

The impact of the COVID-19 pandemic and measures to prevent its spread could materially negatively impact our business, results of operations, financial condition and liquidity in a number of ways, including:

- A decrease in our rental revenues or increase in related reserves and write-offs as a potential result of:
 - The deterioration of global economic conditions as a result of the pandemic may ultimately decrease occupancy levels and pricing across our portfolio as residents reduce or defer their spending;
 - Our residents' and tenants' ability to pay their rent on time or at all;
 - Changes in the demand for multifamily properties within our markets;
 - Our geographic concentrations, especially in our dense urban communities which often makes social distancing more difficult, may experience longer periods of economic disruption due to delays in business re-openings and/or required re-closures, as a result of which we may be more susceptible to the impact of COVID-19;
 - Changes in resident preferences, including changes due to increased employer flexibility to work from home, making current or prospective residents less likely to want to live in dense urban centers where we own many of our properties or to want to live in denser forms of multifamily housing like the high-rise or mid-rise housing the Company owns;
 - The concessions made, and those that continue to be made, to residents' rent obligations, which may not be on terms as favorable to us as those currently in place;
 - The costs we may incur in protecting our investments and releasing our properties as a result of resident or tenant nonpayment, default or bankruptcy;
 - The risk that local and national authorities may expand or extend certain measures imposing restrictions on our ability to enforce residents' or tenants' contractual rental obligations (such as eviction moratoriums or rental forgiveness) and limit our ability to raise rents or charge certain fees;
 - The risk that local and national authorities may not pass, extend or may reduce government stimulus and relief programs which may be providing or would provide benefits to our residents (or employers of our residents) and tenants;
 - Restrictions inhibiting our employees' ability to meet with existing and potential residents has disrupted and could in the future further disrupt our ability to lease apartments which could adversely impact our rental rate and occupancy levels; and

- Non-residential operations in our apartment buildings are particularly vulnerable to the effects from the COVID-19 pandemic, which we expect may adversely impact their operations and, in turn, could result in an increase in tenant/garage operator defaults, rent deferrals/abatements and rent reductions.
- Our properties may also incur significant operating expenses related to shelter-in-place orders, quarantines and social distancing requirements, such as higher cleaning or other related costs;
- The risk that our access to capital at attractive terms may be diminished due to, among other factors: (i) potential disruptions in the long-term debt and commercial paper markets; (ii) the risk that a prolonged economic slowdown or recession could negatively impact our lending counterparties; and (iii) reductions in the Company's credit ratings as a result of a protracted and more severe deterioration in our operations due to the pandemic;
- The risk of a prolonged outbreak and/or multiple waves of an outbreak of the pandemic:
 - a) could cause long-term damage to economic conditions, which in turn could cause material declines in the fair value of our assets, leading to asset impairment charges; and,
 - b) could cause an adverse impact on our future financial results, cash flows and financial condition and therefore our ability to pay dividends;
- A general decline in the real estate market or demand for real estate transactions could hinder our ability to acquire or dispose of properties, including through our joint ventures;
- The risk of delays in our development and renovation projects due to construction moratoriums, governmental movement restrictions, social distancing requirements, the closure of many permitting and inspection agencies and disruptions in the supply of construction materials or other products due to problems in the supply chain or otherwise;
- A possible further decline in the price of our common shares due to a prolonged economic recession or other impacts described herein;
- Increased risks of potential cyber attacks due to an increased reliance on remote working and other electronic interactions with our current and prospective residents; and
- Potential inability to maintain adequate staffing at our properties and corporate/regional offices due to shelter-in-place orders, an outbreak at one or more of our properties or corporate/regional offices and/or the continued duration or expansion of the pandemic.

The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future developments including the duration, spread and intensity of the outbreak and the rollout and effectiveness of vaccines, all of which are uncertain and difficult to predict. To the extent the COVID-19 pandemic adversely affects our business, results of operations, cash flows and financial condition, it may also have the effect of heightening many of the other risks described below. Due to the speed with which the situation is continuing to develop, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, cash flows and financial condition could be material.

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, governmental fiscal health and governmental policies;
- The inability or unwillingness of residents to pay rent increases;
- Increases in our operating expenses;
- Cost and availability 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.

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

The Company's properties are concentrated in our primarily coastal markets and located in and around dynamic cities that we believe attract high quality long-term renters.

If one or more of our markets is unfavorably impacted by specific economic conditions, local real estate conditions, increases in social unrest, increases in real estate and other taxes, reduced quality of life, deterioration of local or state government health, rent control or stabilization laws, 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.

Within its primarily coastal markets, the Company is also concentrated in certain dense urban and suburban submarkets. To the extent that these markets or submarkets within these markets 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 or invested in a greater number of markets.

For example, the urban core submarkets of New York City, San Francisco, CA and Boston, MA, have been more adversely impacted by the COVID-19 pandemic in comparison to our other markets. Due to our concentrations in these submarkets, we have experienced larger decreases in rental income from elevated rent concessions and lower occupancy than we might have otherwise.

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 these expenditures may not decline as quickly or at the same rate as revenues when circumstances might cause a reduction of those revenues at our properties.

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.

Additionally, our properties face competition for residents as a result of technology innovation. Therefore, we may not be able to retain residents or attract new residents if we are unable to identify and cost effectively implement new, relevant technologies and to keep up with constantly changing resident demand for the latest innovations.

The short-term nature of apartment leases exposes 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.

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.

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 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.

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.

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 changing 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 our 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 depreciated cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write-down the depreciated 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.

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 or be financially unable 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 or price that is unfavorable to us. 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.

Corporate social responsibility, specifically related to ESG, may impose additional costs and expose us to new risks.

Sustainability, social and governance evaluations remain highly important to investors and other stakeholders. Certain organizations that provide corporate governance and other corporate risk advisory services to investors have developed scores and ratings to evaluate companies and investment funds based upon ESG metrics. Many investors focus on positive ESG-related business practices and scores when choosing to allocate their capital and may consider a company's score as a reputational or other factor in

making an investment decision. Investors' increased focus and activism related to ESG and similar matters may constrain our business operations or increase expenses. In addition, investors may decide to refrain from investing in us as a result of their assessment of our approach to and consideration of ESG factors. We may face reputational damage in the event our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Although we have generally scored highly in these metrics to date, there can be no assurance that we will continue to score highly in the future. In addition, the criteria by which companies are rated for ESG efforts may change, which could cause us to receive lower scores than in previous years. A low ESG score could result in a negative perception of the Company, exclusion of our securities from consideration by certain investors who may elect to invest with our competition instead and/or cause investors to reallocate their capital away from the Company, all of which could have an adverse impact on the price of our securities.

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 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.

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.

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 likely cause us to lose access to the commercial paper markets and 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.

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.

Regulatory and Tax Risks

The adoption of, or changes, in rent control or rent stabilization regulations and eviction regulations in our markets could have an adverse effect on our operations and property values.

A growing number of state and local governments have enacted and may continue to consider enacting and/or expanding rent control or rent stabilization regulations, which have limited and could continue to limit in broadening ways 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 forgiveness, rent control or rent stabilization regulations or expand coverage of existing regulations in our markets. These regulations may also make changes to and/or expand eviction and other tenants' rights regulations that may limit our ability to enforce residents' or tenants' contractual rental obligations (such as eviction moratoriums), pursue collections or charge certain fees, which could have an adverse impact on our operations and property values.

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, building and zoning codes 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 U.S. 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 unless certain safe harbor exceptions set forth in the Code apply. 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 impacting real estate 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 other 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. To the extent the REIT does not distribute all its net capital gain, or distributes at least 90%, but less than 100% of its REIT taxable income, it will be required to pay regular U.S. federal income tax on the undistributed amount at corporate rates. 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 and are unable to cure the deficiency, 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 U.S. 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 automatically be deemed 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 certain distributions to shareholders made after the close of a taxable year as having been distributed during such closed taxable 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 addition, the Company may be required to pay interest to the IRS based on such a distribution.

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 generally required to structure the cash component to be no less than 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.

General Risk Factors

Risk of Pandemics or Other Health Crisis.

A pandemic, epidemic or other health crisis, similar to the recent outbreak of COVID-19, affecting areas where our properties, corporate/regional offices or major service providers are located could have an adverse effect on our business, results of operations, cash flows and financial condition.

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, ransomware 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.

We are also subject to laws, rules, and regulations in the United States, such as the California Consumer Privacy Act (“CCPA”), relating to the collection, use, and security of resident, customer, employee and other data. Evolving compliance and operational requirements under the CCPA and the privacy laws of other jurisdictions in which we operate may impose significant costs that are likely to increase over time. Our failure to comply with laws, rules, and regulations related to privacy and data protection could harm our business or reputation or subject us to fines and penalties.

The Audit Committee is primarily responsible for oversight of the risk management process related to cybersecurity and typically meets no less often than annually with Company information technology personnel to discuss recent trends in cyber risks and the Company’s strategy to defend its business systems and information against cyber attacks as well as the Company’s efforts to comply with data privacy laws such as the CCPA.

Our business and operations rely on specialized information technology systems, the failure of or inadequacy of which could impact our business.

Our ability to identify, implement and maintain appropriate information technology systems differentiates and creates competitive advantages for us in the operations of our business. These systems often are developed and hosted by third party vendors whom we rely upon for ongoing maintenance, upgrades and enhancements. While we maintain a rigorous process around selecting appropriate information technology systems and partnering with vendors, our failure to adequately do so could negatively impact our operations and competitive position.

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.

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 and natural disaster 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 disasters. These 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 above. 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2020, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 304 properties located in 9 states and the District of Columbia consisting of 77,889 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 Apartment Units
Garden	102	25,791	253
Mid/High-Rise	202	52,098	258
	304	77,889	256

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

	Properties	Apartment Units
Wholly Owned Properties	287	74,328
Master-Leased Property – Consolidated	1	162
Partially Owned Properties – Consolidated	16	3,399
	304	77,889

The following table sets forth certain information by market relating to the Company's properties at December 31, 2020:

Portfolio Summary

Markets/Metro Areas	Properties	Apartment Units	% of Stabilized Budgeted NOI (1)	Average Rental Rate (2)
Los Angeles	72	16,603	21.5%	\$ 2,458
Orange County	13	4,028	5.4%	2,222
San Diego	11	2,706	3.8%	2,373
Subtotal – Southern California	96	23,337	30.7%	2,407
San Francisco	48	12,707	18.3%	3,053
Washington D.C.	47	14,731	17.2%	2,387
Seattle	46	9,454	11.4%	2,349
New York	37	9,606	11.3%	3,617
Boston	25	6,430	9.4%	2,958
Denver	5	1,624	1.7%	2,003
Total	304	77,889	100.0%	\$ 2,680

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

- (1) % of Stabilized Budgeted NOI - Represents original budgeted 2021 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.
- (2) 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, 2020, the Company's same store occupancy was 94.4% and its total portfolio-wide occupancy, which includes completed development properties in various stages of lease-up, was 94.2%. Certain of the Company's properties are encumbered by mortgages and additional detail can be found on Schedule III – Real Estate and Accumulated Depreciation. 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 non-residential components, such as parking garages and/or retail spaces.

The properties currently in various stages of development and lease-up at December 31, 2020, all of which are consolidated, are included in the following table:

Development and Lease-Up Projects as of December 31, 2020
(Amounts in thousands except for project and apartment unit amounts)

Projects	Location	No. of Apartment Units	Total Budgeted Capital Cost (1)	Total Book Value to Date	Total Book Value Not Placed in Service	Total Debt	Percentage Completed	Estimated/Actual			Percentage Leased	Percentage Occupied
								Initial Occupancy	Completion Date	Stabilization Date		
Projects Under Development - Wholly Owned:												
Alcott Apartments (fka West End Tower)	Boston, MA	470	\$ 409,749	\$ 267,783	\$ 267,783	\$ —	67%	Q2 2021	Q3 2021	Q1 2023	—	—
The Edge (fka 4885 Edgemoor Lane) (2)	Bethesda, MD	154	75,271	52,312	52,312	—	70%	Q3 2021	Q3 2021	Q3 2022	—	—
Projects Under Development Wholly Owned		624	485,020	320,095	320,095	—						
Projects Under Development - Partially Owned:												
Aero Apartments (3)	Alameda, CA	200	117,794	91,039	91,039	31,494	78%	Q1 2021	Q2 2021	Q2 2022	—	—
Projects Under Development Partially Owned		200	117,794	91,039	91,039	31,494						
Total Projects Under Development		824	\$ 602,814	\$ 411,134	\$ 411,134	\$ 31,494						
Land Held for Development		N/A	N/A	\$ 86,170	\$ 86,170	\$ —						

- (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) The Edge – 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 \$4.7 million for its allocated share of the project equity and serves as the developer of the project.

Item 3. Legal Proceedings

As of December 31, 2020, 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 Information (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 12, 2021, the number of record holders of Common Shares was approximately 1,950 and 372,663,215 Common Shares were outstanding. At February 12, 2021, the number of record holders of Units in the Operating Partnership was approximately 475 and 386,705,589 Units were outstanding.

Unregistered Common Shares Issued in the Quarter Ended December 31, 2020 (Equity Residential)

During the quarter ended December 31, 2020, EQR issued 22,768 Common Shares in exchange for 22,768 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, 2020 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	5,642,752	\$ 56.91	13,136,526
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 353,634 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 10,512,390 Common Shares that may be issued under the 2019 Plan and 2,624,136 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, 2020, 10,512,390 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. Reserved

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. In addition, please refer to the Definitions section below for various capitalized terms not immediately defined in this Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Forward-Looking Statements

Forward-looking statements 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, such as the current COVID-19 pandemic (see below for further discussion). 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.

In addition, these forward-looking statements are subject to risks related to the COVID-19 pandemic, many of which are unknown, including the duration and severity of the pandemic, the extent of the adverse health impact on the general population and on our residents, customers and employees in particular, its impact on the employment rate and the economy and the corresponding impact on our residents' and tenants' ability to pay their rent on time or at all, the impact on resident housing preferences especially for urban apartment living, the extent and impact of governmental responses, the rollout and effectiveness of vaccines and the impact of operational changes we have implemented and may implement in response to the pandemic.

Additional 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 2021 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.

COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The continued rapid development and fast-changing nature of the COVID-19 pandemic creates many unknowns that have had and could continue to have a significant future impact on the Company. Its duration, severity and the extent of the adverse health impact on the general population, our residents and employees, the rollout and effectiveness of vaccines and the potential long-term changes in customer preferences for living in our communities, are among the many unknowns. These, among other items, have impacted the economy, the unemployment rate and our operations and could materially affect our future consolidated results of operations, financial condition, liquidity, investments and overall performance. For additional details, see Item 1A, *Risk Factors*.

We have been supporting our residents and employees during the COVID-19 pandemic by:

- Utilizing technology to allow our property teams to interact remotely with current and prospective residents, including a new touchless leasing process and a service process designed to limit in-person contact;
- Successfully implementing changes to the physical layout of our properties and remaining focused on further enhancing our existing commitment to health and safety during the pandemic;
- Continuing to provide additional paid leave for employees impacted by the pandemic and in 2020 paid special bonuses to certain on-site employees in recognition of their significant efforts;

- Continuing to support our corporate and regional employees by allowing them to work remotely during the pandemic; and
- Offering an extensive outreach process for residents and tenants financially impacted by the pandemic, including creating payment plans to assist them, among other support efforts.

While the pandemic remains a significant health threat, cities continue to work towards safely re-opening their economies and to managing closures in ways that create the least amount of economic impact. We expect that employers will bring back employees to their offices deliberately and safely. We believe proximity to employment and to entertainment and social amenities in urban centers will continue to have value. Employers also continue to invest in the future, committing to long-term office obligations in our markets where they continue to create collaborative work environments.

During the year ended December 31, 2020, the Company collected approximately 97% of its expected Residential revenues in the second, third and fourth quarters of 2020. We believe that 2021 will be a year of recovery for the Company. Operating trends are improving and we believe that the first half of 2021 will be the low point in our financial results. Our affluent, well-employed resident base remains drawn to our nation's great cities and we expect demand to accelerate and pricing to continue to improve as vaccines are widely administered and cities become more active.

Results of Operations

2020 and 2019 Transactions

In conjunction with our business objectives and operating and investing strategies, the following tables provide a rollforward of the transactions that occurred during the years ended December 31, 2020 and 2019:

Portfolio Rollforward (\$ in thousands)

		<u>Properties</u>	<u>Apartment Units</u>	<u>Purchase Price</u>	<u>Acquisition Cap Rate</u>
	12/31/2019	309	79,962		
Acquisitions:					
Consolidated Rental Properties – Not Stabilized (1)		1	158	\$ 48,860	4.7%
				<u>Sales Price</u>	<u>Disposition Yield</u>
Dispositions:					
Consolidated:					
Rental Properties		(6)	(2,231)	\$ (1,066,861)	(4.5)%
Land Parcels		—	—	\$ (55,510)	
	12/31/2020	<u>304</u>	<u>77,889</u>		

(1) The Company acquired one property in the third quarter of 2020 that is in lease-up and is expected to stabilize in its second year of ownership.

The consolidated property acquired was located in the Seattle market. The consolidated properties disposed of were located in the Phoenix, San Diego, San Francisco and Washington D.C. markets and the sales generated an Unlevered IRR of 10.2%.

Portfolio Rollforward
(\$ in thousands)

		<u>Properties</u>	<u>Apartment Units</u>	<u>Purchase Price</u>	<u>Acquisition Cap Rate</u>
	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	
				<u>Sales Price</u>	<u>Disposition Yield</u>
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.

See 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 will be approximately equal to consolidated rental dispositions for the full year ending December 31, 2021. We currently budget spending approximately \$220.0 million on development costs during the year ending December 31, 2021, primarily for properties currently under construction. Certain of these costs are expected to be funded by third-party construction mortgages and joint venture partner obligations. Work at all of our development projects continues with no material delays after some construction disruptions due to COVID-19.

Same Store Results

Properties that the Company owned and were stabilized (see definition below) for all of both 2020 and 2019 (the "2020 Same Store Properties"), which represented 73,585 apartment units, impacted the Company's results of operations. The 2020 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, 2020:

	Year Ended December 31, 2020	
	Properties	Apartment Units
Same Store Properties at December 31, 2019	279	71,830
2017 acquisitions	2	510
2018 acquisitions	5	1,461
2020 dispositions	(6)	(2,231)
Lease-up properties stabilized	5	2,015
Same Store Properties at December 31, 2020	<u>285</u>	<u>73,585</u>

	Year Ended December 31, 2020	
	Properties	Apartment Units
Same Store	285	73,585
Non-Same Store:		
2020 acquisitions	1	158
2019 acquisitions	13	3,540
Master-Leased properties (1)	1	162
Lease-up properties not yet stabilized (2)	3	443
Other	1	1
Total Non-Same Store	<u>19</u>	<u>4,304</u>
Total Properties and Apartment Units	<u>304</u>	<u>77,889</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 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.
- (2) 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.

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 (amounts in thousands):

	Year Ended December 31,	
	2020	2019
Operating income	\$ 1,317,990	\$ 1,356,160
Adjustments:		
Property management	93,825	95,344
General and administrative	48,305	52,757
Depreciation	820,832	831,083
Net (gain) loss on sales of real estate properties	(531,807)	(447,637)
Total NOI	<u>\$ 1,749,145</u>	<u>\$ 1,887,707</u>
Rental income:		
Same store	\$ 2,419,018	\$ 2,519,235
Non-same store/other	152,687	181,456
Total rental income	<u>2,571,705</u>	<u>2,700,691</u>
Operating expenses:		
Same store	773,479	757,502
Non-same store/other	49,081	55,482
Total operating expenses	<u>822,560</u>	<u>812,984</u>
NOI:		
Same store	1,645,539	1,761,733
Non-same store/other	103,606	125,974
Total NOI	<u>\$ 1,749,145</u>	<u>\$ 1,887,707</u>

The following table provides comparative total same store results and statistics for the 2020 Same Store Properties:

2020 vs. 2019
Same Store Results/Statistics Including 73,585 Same Store Apartment Units
\$ in thousands (except for Average Rental Rate)

	2020						2019			
	Residential	% Change	Non-Residential	% Change	Total	% Change	Residential	Non-Residential	Total	
Revenues	\$2,356,344	(2.9%)	\$ 62,674 (1)	(33.2%)	\$2,419,018	(4.0%)	Revenues	\$2,425,471	\$ 93,764	\$2,519,235
Expenses	\$ 751,504	2.1%	\$ 21,975	3.5%	\$ 773,479	2.1%	Expenses	\$ 736,279	\$ 21,223	\$ 757,502
NOI	<u>\$1,604,840</u>	<u>(5.0%)</u>	<u>\$ 40,699</u>	<u>(43.9%)</u>	<u>\$1,645,539</u>	<u>(6.6%)</u>	NOI	<u>\$1,689,192</u>	<u>\$ 72,541</u>	<u>\$1,761,733</u>
Average Rental Rate	\$ 2,809	(1.5%)					Average Rental Rate	\$ 2,852		
Physical Occupancy	95.1%	(1.3%)					Physical Occupancy	96.4%		
Turnover	52.3%	2.5%					Turnover	49.8%		

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) Changes in same store Non-Residential revenues are primarily driven by the deferral/abatement of rents, higher bad debt, lower parking income and the non-cash write-off of \$12.9 million of Non-Residential straight-line lease receivables predominantly in the third quarter of 2020.

The following table provides results and statistics related to our Residential same store operations for the years ended December 31, 2020 and 2019:

2020 vs. 2019
Same Store Residential Results/Statistics by Market

Markets/Metro Areas	Apartment Units	2020 % of Actual NOI	2020 Average Rental Rate	Increase (Decrease) from Prior Year							
				2020 Weighted Average Physical Occupancy %	2020 Turnover	Revenues	Expenses	NOI	Average Rental Rate	Physical Occupancy	Turnover
Los Angeles	15,968	20.1%	\$ 2,547	95.5%	51.9%	(3.1%)	0.8%	(4.8%)	(2.4%)	(0.7%)	(2.5%)
Orange County	4,028	5.0%	2,252	96.7%	45.3%	0.2%	0.8%	0.0%	0.0%	0.2%	(6.5%)
San Diego	2,706	3.5%	2,374	97.0%	49.0%	1.4%	1.6%	1.3%	1.0%	0.4%	(6.0%)
Subtotal – Southern California	22,702	28.6%	2,473	95.9%	50.4%	(2.1%)	0.9%	(3.2%)	(1.7%)	(0.4%)	(3.6%)
San Francisco	12,183	20.6%	3,234	94.7%	55.3%	(3.9%)	3.0%	(6.1%)	(2.5%)	(1.3%)	4.2%
Washington D.C.	13,711	16.5%	2,444	95.7%	49.9%	(0.6%)	0.9%	(1.2%)	0.4%	(0.9%)	3.2%
New York	9,475	13.3%	3,826	93.0%	50.9%	(6.2%)	3.3%	(13.2%)	(2.4%)	(3.7%)	12.1%
Seattle	8,442	10.4%	2,433	95.5%	53.6%	(0.3%)	3.9%	(1.8%)	0.7%	(0.9%)	(0.7%)
Boston	6,346	9.8%	3,100	94.2%	56.3%	(3.3%)	0.6%	(4.8%)	(1.2%)	(2.0%)	9.0%
Denver	726	0.8%	2,101	94.5%	70.8%	(2.4%)	2.9%	(4.3%)	(1.0%)	(1.6%)	4.7%
Total	<u>73,585</u>	<u>100.0%</u>	<u>\$ 2,809</u>	<u>95.1%</u>	<u>52.3%</u>	<u>(2.9%)</u>	<u>2.1%</u>	<u>(5.0%)</u>	<u>(1.5%)</u>	<u>(1.3%)</u>	<u>2.5%</u>

Note: The above table reflects Residential same store results only. Residential operations account for approximately 97.3% of total revenues for the year ended December 31, 2020.

The following table includes select statistics for Residential same store properties presented on a suburban and urban basis. Statistics for January 2021 are preliminary and Blended Rate is inclusive of Leasing Concessions. The impact the COVID-19 pandemic is having on the operating performance in our markets and submarkets varies, with urban markets more challenged than suburban markets as presented below.

	% of Same Store Residential Revenues	Percentage of Residents Renewing by Month									
		Physical Occupancy on:			Renewing by Month			Blended Rate			
		Dec YTD 2020	Sep 30, 2020	Dec 31, 2020	Jan 31, 2021	Jan 2020	Dec 2020	Jan 2021 (1)	Q4 2020	Dec 2020	Jan 2021 (1)
		Dec YTD 2020	Sep 30, 2020	Dec 31, 2020	Jan 31, 2021	Jan 2020	Dec 2020	Jan 2021 (1)	Q4 2020	Dec 2020	Jan 2021 (1)
Suburban (2)	44%	95.9%	95.8%	96.1%	58%	58%	55%	(7.0%)	(7.3%)	(7.3%)	
Urban Other (2)(3)	33%	94.3%	94.6%	95.3%	55%	47%	45%	(13.4%)	(14.3%)	(14.7%)	
Urban Core (2)(4)	23%	89.2%	90.2%	91.8%	63%	49%	51%	(25.0%)	(26.6%)	(25.0%)	
Total	100%	94.2%	94.4%	95.1%	58%	53%	52%	(13.0%)	(13.9%)	(14.1%)	

- (1) January 2021 results are preliminary.
(2) The Company defines Urban submarkets as those with 3,500 or more households per square mile with the remainder defined as Suburban.
(3) Includes all other Urban properties excluding Urban Core.

- (4) Includes Urban properties in Manhattan/Brooklyn, Downtown Boston/Cambridge and Downtown San Francisco.

The following table provides guidance for our expected full year 2021 same store operating performance:

	Full Year 2021
Physical Occupancy	94.8% to 95.8%
Revenue change	(9.0%) to (7.0%)
Expense change	3.0% to 4.0%
NOI change	(15.0%) to (12.0%)

Although 2020 has been the most challenging year that we have faced in our business, we believe that initial signs of improvement have emerged and are optimistic that 2021 will be a year of recovery. We have begun to see improvements across our portfolio for both urban and suburban properties in Physical Occupancy and pricing. Notably, this is the first time this has occurred since July 2020. We continue to test price sensitivity in many markets by reducing both the value and quantity of Leasing Concessions being granted and are beginning to raise rents from recent prior months. While forward trends are improving, our reported results for 2021, particularly in the first half, will continue to be severely impacted by the pandemic. However, we believe our results will steadily improve through the second half of 2021 as recovery accelerates. In the meantime, the Company remains focused on the following performance indicators:

- Demand – Demand continues to be robust and has carried us through much of the winter season with increased move-in activity well above the seasonal norms. Applications exceeded 2019 levels by approximately 25% in the fourth quarter of 2020 and we were able to generate sufficient activity for move-ins to outpace move-outs despite higher Turnover compared to 2019's record low level. Applications have remained robust in January 2021, albeit below December 2020 levels, but that is not unexpected since improved Physical Occupancy has allowed us to start testing pricing increases and we have fewer apartment units available to lease.
- Pricing – We have seen improvement in the rents (net of Leasing Concessions) that we are able to charge on our apartments since December 2020. This trend, which is a good indicator of where rents including Leasing Concessions stand, has been improving across both urban and suburban markets since this time. However, New Lease Change remains negative as do Renewal Rates Achieved, which will continue to contribute to challenging Blended Rates.
- Renewal Rates – We continue to experience negotiation pressure on Renewal Rate Achieved as we are still renewing residents who signed leases pre-pandemic. In terms of the quantity of renewals, we have found some stability in the percent of residents renewing their leases which stands at approximately 52% in January 2021. We expect that to improve to approximately 54% for February and March 2021, which is still 6% below the record retention rates from 2019.

In summary, the operating environment remains challenging but we are beginning to see what we believe are signs of improvement. See below for specific discussion on operating performance by geographic market:

- Boston – Strong application volume and improved retention through the fourth quarter of 2020 resulted in steady gains in Physical Occupancy to position us at 95.4% as of January 31, 2021. This market has been reducing Leasing Concession use and now approximately 25% to 30% of our applications, as compared to approximately 50% of our applications back in November 2020, are using them. We have also been able to raise rents consecutively for the past four weeks as of January 31, 2021. Going forward, we expect continued modest improvement but acknowledge that a full recovery will require additional demand drivers to aid in the absorption of the new supply that is being delivered currently and anticipated through the first half of 2021. Despite these anticipated challenges in 2021, the performance over the last two months has definitely improved and has been stronger than our other urban core markets. We expect to regain more Physical Occupancy in 2021 which should allow us to recapture some of the pricing we lost in 2020.
- New York – New York continues to feel the outsized impact of the COVID-19 pandemic but there are early signs of recovery. We recently had our best Traffic week in the last twelve months and our best leasing week, in terms of applications, since August 2020. Leasing activity is still driven by deal seekers and intra-city movers who are running about 10% higher than normal. We still see residents continuing to leave the city with most of our residents moving to surrounding states with suburban New Jersey capturing the largest share, but that number is normalizing. Physical Occupancy has improved in the market and is at 91.2% at January 31, 2021, which is the first time it has exceeded 90% since September 2020. We believe the broader recovery in this market will be fueled by a lack of competitive new supply, the return to office and the continued growth of technology employers. Many of these technology firms continue to expand their investments in this market, even during the pandemic, supporting the view that the city will continue to thrive, as it has in the past, post-pandemic. For 2021, our focus for New York will be recapturing as much Physical Occupancy and rate as possible while lowering, or possibly eliminating, Leasing Concessions. Recovery in this market will take some time but it also has significant upside potential given 2020 declines.

- Washington, D.C. – We believe Washington, D.C. has been our most resilient market on the East Coast. Physical Occupancy remains solid at 96.1% at January 31, 2021, but the market continues to feel the impact of elevated supply and slowing absorption of new Class A multifamily properties. The market continues to benefit from federal government employment, which has actually seen a net increase over the last twelve months, but overall job growth has declined. Leasing Concession use increased in the fourth quarter of 2020, but has now been greatly reduced as of January 2021. These recent signs of improvement provide us with more confidence in the ability of the market to absorb more apartment units and allow for continued rate recovery which could make it one of our better performing markets in 2021.
- Seattle – We are seeing early indications of recovery. Both Physical Occupancy (95.9% at January 31, 2021) and Traffic (which normally increases at the beginning of the year) continue to improve in 2021. Traffic increased over January 2020 by approximately 6%, and we are seeing weekly application numbers that are closer to peak leasing season levels than typical first quarter levels. Leasing Concession use remains common in the market but strength in Physical Occupancy is allowing for a gradual reduction in use. In 2021, we expect to focus on maintaining strong Physical Occupancy while increasing pricing.
- San Francisco – This market remains our most challenged but even here we are seeing some signs of recovery. Physical Occupancy has improved to 93.8% at January 31, 2021, with our downtown assets at 92%, East Bay at 95.7% and both the Peninsula and South Bay right around 94% at the end of January 2021. The downtown portfolio especially remains pressured with about two-thirds of applicants receiving Leasing Concessions in the fourth quarter of 2020. January 2021, however, has shown improvement on this front with Leasing Concession use on only about 50% of applications. The recovery in this market is somewhat dependent on the return to office plans of technology companies, but while we acknowledge that work from home will play a role, we believe that the value of in-person collaboration and the incredible technology eco-structure of the area will make the San Francisco Bay Area attractive again. Like New York, San Francisco has significant potential due to steep declines in 2020, although recovery will take some time.
- Los Angeles – Our portfolio maintained Physical Occupancy above 95% throughout the fourth quarter of 2020 while contending with continued pressure from new supply in the Downtown/Koreatown-Mid Wilshire corridor. Leasing Concession use was modest and averaged approximately 20% of our applications. The suburban portfolio has very strong Physical Occupancy at or near 97% and the suburban submarkets continue to experience modest year-over-year revenue gains. Physical Occupancy was at 95.9% at January 31, 2021 for the entire market. In 2021, we expect Los Angeles to be one of our better performing markets as we now have opportunity to increase rates, but will need to work through bad debt.
- Orange County and San Diego – Both markets are primarily suburban and continue to stand out for their resilience throughout the pandemic. These markets have averaged approximately 97% Physical Occupancy through the fourth quarter of 2020 (Orange County and San Diego had Physical Occupancy of 97.2% and 97.4%, respectively, at January 31, 2021) and produced higher resident retention than in any of our other markets. They did so while maintaining positive Blended Rate results in December 2020 and January 2021. Both of these markets have opportunities to increase rents and we believe will continue to perform well throughout 2021.
- Denver – While a relatively small market for the Company, this portfolio is holding up well despite the pandemic. Physical Occupancy is at 96.7% at January 31, 2021 and both New Lease Change and Renewal Rate Achieved were improving in both December 2020 and January 2021, while Leasing Concession use has started to trend down starting in the first quarter of 2021.

Despite strong rent collections throughout the pandemic, its economic impact on a small subset of our residents and non-residential tenants has led to higher levels of bad debt than we have historically experienced. We continue to work with our residents and non-residential tenants on payment plans and collections and our bad debt allowance policies remain consistent. We expect our reserves and bad debt expense to remain elevated in 2021. See Note 8 in the Notes to Consolidated Financial Statements for additional discussion of leases at December 31, 2020.

The following table provides comparative same store operating expenses for the 2020 Same Store Properties:

2020 vs. 2019
Total Same Store Operating Expenses for 73,585 Same Store Apartment Units
\$ in thousands

	2020	2019	\$ Change (5)	% Change	% of 2020 Operating Expenses
Real estate taxes	\$ 337,939	\$ 325,332	\$ 12,607	3.9%	43.7%
On-site payroll (1)	160,983	160,569	414	0.3%	20.8%
Utilities (2)	102,768	101,137	1,631	1.6%	13.3%
Repairs and maintenance (3)	93,620	94,766	(1,146)	(1.2)%	12.1%
Insurance	24,310	20,597	3,713	18.0%	3.2%
Leasing and advertising	10,321	10,241	80	0.8%	1.3%
Other on-site operating expenses (4)	43,538	44,860	(1,322)	(2.9)%	5.6%
Total Same Store Operating Expenses (includes Residential and Non-Residential)	<u>\$ 773,479</u>	<u>\$ 757,502</u>	<u>\$ 15,977</u>	<u>2.1%</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 year-over-year changes are due primarily to:
 - Real estate taxes – Higher rates and assessed values continue to drive real estate tax growth across most markets.
 - On-site payroll – Increase driven by higher employee benefit-related costs, partially offset by the transition to an enhanced operating platform and less overtime.
 - Repairs and maintenance – Decrease primarily driven by deferral and cancellation of some projects as a result of COVID-19-related delays.
 - Insurance – Increase due to higher premiums on property insurance renewal due to challenging conditions in the insurance market.
 - Other on-site operating expenses – Decrease primarily due to reduced ground lease expense and lower legal expenses due to legislative suspension of evictions in many markets.

We anticipate same store expenses to increase between 3.0% to 4.0% for 2021 as compared to 2020. The increase in same store expenses is expected to be primarily due to the following items:

- Real estate taxes are estimated to increase in the mid 3.0% range (which is slightly lower than the 3.9% increase we experienced between 2020 and 2019). While municipalities continue to search for methods to close budget gaps, we believe relief on assessed values provided by some jurisdictions and aggressive appeals activity should help control total expense growth. The timing and success of these appeals may have a significant impact on the ultimate expense growth reported.
- Payroll costs are estimated to increase approximately 2.0%. Our continued focus on improved efficiencies and utilizations are forecasted to balance payroll growth for the full year of 2021.
- Utilities are estimated to increase between 4.0% and 5.0% primarily due to expected increases in natural gas costs.

- Repairs and maintenance costs are estimated to increase between 4.0% and 5.0% primarily due to the resumption of activities that were delayed as a result of the COVID-19 pandemic and a difficult comparable period given this expense category declined between 2020 and 2019.

The Company anticipates same store NOI to decline for the full year 2021 by approximately 15.0% to 12.0% as a result of the same store revenue and expense expectations discussed above. Given the continued uncertainty resulting from the COVID-19 pandemic, we anticipate the possibility of greater variability around the midpoint, up or down, within these ranges than we would typically experience in the normal course of business.

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, 2020 decreased approximately \$22.4 million compared to the same period of 2019. These results consist primarily of properties acquired in calendar years 2019 and 2020, operations from the Company's development properties and operations prior to disposition from 2019 and 2020 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 \$5.0 million;
- A positive impact of higher NOI from properties acquired in 2019 and 2020 of \$34.5 million; and
- A negative impact of lost NOI from 2019 and 2020 dispositions of \$61.1 million.

Comparison of the year ended December 31, 2020 to the year ended December 31, 2019

The following table presents a reconciliation of diluted earnings per share/unit for the year ended December 31, 2020 as compared to the same period in 2019:

	Year Ended December 31
Diluted earnings per share/unit for full year 2019	\$ 2.60
Property NOI	(0.35)
Interest expense	0.11
Debt extinguishment costs	(0.04)
Non-operating asset gains/losses	0.08
Net gain/loss on property sales	0.01
Other	0.04
Diluted earnings per share/unit for full year 2020	<u>\$ 2.45</u>

The decrease in consolidated NOI is primarily a result of the Company's lower NOI from same store properties, largely due to the economic impact from the COVID-19 pandemic, and disposition activity. The following table presents the changes in the components of consolidated NOI for the year ended December 31, 2020 as compared to the same period in 2019:

	Year Ended December 31, 2020
Consolidated rental income	(4.8%)
Consolidated operating expenses (1)	1.2%
Consolidated NOI	(7.3%)

- (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 decreased approximately \$1.5 million or 1.6% during the year ended December 31, 2020 as compared to 2019. This decrease is primarily attributable to decreases in payroll-related costs (inclusive of lower performance bonuses), travel costs and training/conference costs, partially offset by increases in information technology related costs specifically for various operating initiatives such as sales-focused improvements and service

enhancements as well as increases in legal and professional fees. The Company suspended the majority of all travel and training/conference activities as a result of the COVID-19 pandemic. The Company anticipates that property management expenses will approximate \$96.5 million to \$98.5 million for the year ending December 31, 2021.

General and administrative expenses, which include corporate operating expenses, decreased approximately \$4.5 million or 8.4% during the year ended December 31, 2020 as compared to 2019, primarily due to decreases in payroll-related costs (inclusive of lower performance bonuses) as a result of the Company's executive succession program during the past two years, decreases in travel costs and training/conference activities which were mostly suspended as a result of the COVID-19 pandemic and decreases in office rent as a result of the consolidation of space at the Company's corporate headquarters. The Company anticipates that general and administrative expenses will approximate \$53.0 million to \$55.0 million for the year ending December 31, 2021.

Depreciation expense, which includes depreciation on non-real estate assets, decreased approximately \$10.3 million or 1.2% during the year ended December 31, 2020 as compared to 2019, primarily due to the Company being a net seller during 2020, which resulted in lower depreciation from properties sold in 2019 and 2020 as compared to the additional depreciation expense on properties acquired in 2019 and 2020 and development properties placed in service during 2019.

Net gain on sales of real estate properties increased approximately \$84.2 million or 18.8% during the year ended December 31, 2020 as compared to 2019, primarily as a result of the sale of six consolidated apartment properties sold for a higher gain in 2020 as compared to the sale of eleven consolidated properties in 2019.

Interest and other income increased approximately \$2.7 million or 85.4% during the year ended December 31, 2020 as compared to 2019. The increase is primarily due to higher insurance/litigation settlement proceeds and other non-comparable items that occurred during 2020 but not during 2019, partially offset by decreases in short-term investment income on cash and restricted deposit accounts in 2020 as compared to 2019 due to a lower rate environment and lower overall invested balances.

Other expenses decreased approximately \$0.7 million or 3.7% during the year ended December 31, 2020 as compared to 2019, primarily due to a decrease in various consulting costs related to a data analytics project which was completed in 2019 and litigation and environmental settlements, partially offset by increases in advocacy contributions and pursuit costs in 2020 as compared to 2019.

Interest expense, including amortization of deferred financing costs, decreased approximately \$27.7 million or 6.9% during the year ended December 31, 2020 as compared to 2019. The decrease is primarily due to lower overall debt balances outstanding between the periods as a result of deploying disposition proceeds to repay and discharge debt, as well as lower overall interest rates, partially offset by higher debt extinguishment costs in 2020 as compared to 2019. The effective interest cost on all indebtedness, excluding debt extinguishment costs/prepayment penalties, for the year ended December 31, 2020 was 3.94% as compared to 4.20% in 2019. The Company capitalized interest of approximately \$10.2 million and \$6.9 million during the years ended December 31, 2020 and 2019, respectively. The Company anticipates that interest expense, excluding debt extinguishment costs/prepayment penalties, will approximate \$270.0 million to \$276.5 million and capitalized interest will approximate \$14.5 million to \$16.5 million for the year ending December 31, 2021.

Income and other tax expense increased approximately \$3.1 million during the year ended December 31, 2020 as compared to 2019, primarily due to various alternative minimum tax credit refunds recognized in 2019 that did not occur in 2020.

Income from investments in unconsolidated entities decreased approximately \$69.2 million during the year ended December 31, 2020 as compared to 2019, primarily as a result of a \$69.5 million gain on the sale of two unconsolidated properties in 2019 that did not occur in 2020.

Net gain on sales of land parcels increased approximately \$32.2 million during the year ended December 31, 2020 as compared to 2019, primarily due to a higher gain on the sale of two land parcels in 2020 as compared to the sale of two land parcels in 2019.

Net (income) loss attributable to Noncontrolling Interests in partially owned properties decreased approximately \$11.6 million during the year ended December 31, 2020 as compared to 2019, primarily as a result of noncontrolling interest allocations related to the sale of one partially owned apartment property in 2020 as compared to no sales in 2019.

For comparison of the year ended December 31, 2019 to the year ended December 31, 2018, 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, 2019.

Liquidity and Capital Resources

The Company believes its current liquidity position is strong despite the impact of the COVID-19 pandemic. With approximately \$2.0 billion in readily available liquidity, limited near-term maturities, very strong credit metrics and ample access to capital markets at historically low rates, the Company believes it is well positioned to meet its future obligations. See further discussion below.

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. Currently, the Company considers its cash provided by operating activities to be adequate to meet operating requirements and payments of distributions.

The following table presents the Company's balances for cash and cash equivalents, restricted deposits and the available borrowing capacity on its revolving credit facility as of December 31, 2020 and 2019 (amounts in thousands):

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 42,591	\$ 45,753
Restricted deposits	\$ 57,137	\$ 71,246
Unsecured revolving credit facility availability	\$ 1,984,051	\$ 1,379,071

During the year ended December 31, 2020, the Company generated proceeds from various transactions, which included the following:

- Disposed of six consolidated rental properties and two land parcels, receiving combined net proceeds of approximately \$1.1 billion;
- Obtained \$495.0 million in a 2.60% fixed rate mortgage loan pool maturing on May 1, 2030; and
- Issued Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$16.8 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, 2020, 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 one consolidated rental property for approximately \$48.9 million in cash;
- Invest \$230.3 million primarily in development projects;
- Repay \$168.3 million of mortgage loans (inclusive of scheduled principal repayments); and
- Repay \$750.0 million of unsecured notes and incur prepayment penalties of approximately \$25.8 million by discharging them pursuant to their indenture.

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 an annual 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 with certainty 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 may borrow up to a maximum of \$1.0 billion under its commercial paper 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. While the COVID-19 pandemic initially caused temporary disruptions in the commercial paper market in March 2020, the Company has maintained access to this market and expects to continue to be able to do so in the future.

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 12, 2021 (amounts in thousands):

	February 12, 2021
Unsecured revolving credit facility commitment	\$ 2,500,000
Commercial paper balance outstanding	(470,000)
Unsecured revolving credit facility balance outstanding	—
Other restricted amounts	(100,949)
Unsecured revolving credit facility availability	<u>\$ 1,929,051</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 2020 of \$0.6025 per share/unit, an annualized increase of 6.2% over the amount paid in 2019. All future dividends/distributions remain subject to the discretion of the Company's Board of Trustees.

Total dividends/distributions paid in January 2021 amounted to \$232.3 million (excluding distributions on Partially Owned Properties), which consisted of certain distributions declared during the quarter ended December 31, 2020.

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, along with cash generated from operations after all distributions. The Company has a significant number of unencumbered properties available to secure additional mortgage borrowings should unsecured capital be unavailable or the cost of alternative sources of capital be 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 \$27.2 billion in investment in real estate on the Company's balance sheet at December 31, 2020, \$23.2 billion or 85.3% 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 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, 2020 are as follows:

Debt Summary as of December 31, 2020
(\$ in thousands)

	Debt Balances	% of Total	Weighted Average Rates	Weighted Average Maturities (years)
Secured	\$ 2,293,890	28.5%	3.33%	6.2
Unsecured	5,750,366	71.5%	3.91%	10.3
Total	<u>\$ 8,044,256</u>	<u>100.0%</u>	<u>3.76%</u>	<u>9.0</u>
Fixed Rate Debt:				
Secured – Conventional	\$ 1,901,091	23.6%	3.79%	4.7
Unsecured – Public	5,335,536	66.4%	4.03%	11.0
Fixed Rate Debt	<u>7,236,627</u>	<u>90.0%</u>	<u>3.97%</u>	<u>9.3</u>
Floating Rate Debt:				
Secured – Conventional	31,494	0.4%	2.71%	1.5
Secured – Tax Exempt	361,305	4.5%	1.00%	15.0
Unsecured – Revolving Credit Facility	—	—	1.47%	3.8
Unsecured – Commercial Paper Program	414,830	5.1%	1.72%	—
Floating Rate Debt	<u>807,629</u>	<u>10.0%</u>	<u>1.34%</u>	<u>7.0</u>
Total	<u>\$ 8,044,256</u>	<u>100.0%</u>	<u>3.76%</u>	<u>9.0</u>

Debt Maturity Schedule as of December 31, 2020
(\$ in thousands)

Year	Fixed Rate	Floating Rate	Total	% of Total	Weighted Average Coupons on Fixed Rate Debt	Weighted Average Coupons on Total Debt
2021	\$ 35,665	\$ 415,000 (1)	\$ 450,665	5.5%	4.41%	0.64%
2022	264,185	31,855	296,040	3.7%	3.25%	3.15%
2023	1,325,588	3,500	1,329,088	16.4%	3.74%	3.73%
2024	—	6,100	6,100	0.1%	N/A	0.10%
2025	450,000	8,200	458,200	5.6%	3.38%	3.32%
2026	592,025	9,000	601,025	7.4%	3.58%	3.53%
2027	400,000	9,800	409,800	5.0%	3.25%	3.17%
2028	900,000	42,380	942,380	11.6%	3.79%	3.62%
2029	888,120	11,500	899,620	11.1%	3.30%	3.26%
2030	1,095,000	12,600	1,107,600	13.6%	2.55%	2.52%
2031+	1,350,850	275,535	1,626,385	20.0%	4.39%	3.67%
Subtotal	7,301,433	825,470	8,126,903	100.0%	3.56%	3.23%
Deferred Financing Costs and						
Unamortized (Discount)	(64,806)	(17,841)	(82,647)	N/A	N/A	N/A
Total	<u>\$ 7,236,627</u>	<u>\$ 807,629</u>	<u>\$ 8,044,256</u>	<u>100.0%</u>	<u>3.56%</u>	<u>3.23%</u>

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

See Note 9 in the Notes to Consolidated Financial Statements for additional discussion of debt at December 31, 2020.

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2020 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, 2020
(Amounts in thousands except for share/unit and per share amounts)

Secured Debt		\$ 2,293,890	28.5%	
Unsecured Debt		5,750,366	71.5%	
Total Debt		8,044,256	100.0%	26.0%
Common Shares (includes Restricted Shares)	372,302,000	96.4%		
Units (includes OP Units and Restricted Units)	13,858,073	3.6%		
Total Shares and Units	386,160,073	100.0%		
Common Share Price at December 31, 2020	\$ 59.28			
		22,891,569	99.8%	
Perpetual Preferred Equity		37,280	0.2%	
Total Equity		22,928,849	100.0%	74.0%
Total Market Capitalization		\$30,973,105		100.0%

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2020 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, 2020
(Amounts in thousands except for unit and per unit amounts)

Secured Debt		\$ 2,293,890	28.5%	
Unsecured Debt		5,750,366	71.5%	
Total Debt		8,044,256	100.0%	26.0%
Total Outstanding Units	386,160,073			
Common Share Price at December 31, 2020	\$ 59.28			
		22,891,569	99.8%	
Perpetual Preference Units		37,280	0.2%	
Total Equity		22,928,849	100.0%	74.0%
Total Market Capitalization		\$30,973,105		100.0%

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 12, 2021, 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 12, 2021, 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, have been reaffirmed during the COVID-19 pandemic by all three rating agencies listed below and all continue to maintain a stable outlook. As of February 12, 2021, the ratings are as follows:

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

See Note 18 in the Notes to Consolidated Financial Statements for discussion of the events, if any, which occurred subsequent to December 31, 2020.

Debt Covenants

The Company's unsecured debt includes certain financial and operating covenants including, among other things, maintenance of certain financial ratios. These provisions are contained in the indentures applicable to each note payable or the credit agreement for our line of credit. The Company was in compliance with its unsecured debt covenants for all periods presented. The following table presents the Company's selected unsecured public debt covenants as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Debt to Adjusted Total Assets (not to exceed 60%)	30.5%	33.8%
Secured Debt to Adjusted Total Assets (not to exceed 40%)	9.6%	8.2%
Consolidated Income Available for Debt Service to Maximum Annual Service Charges (must be at least 1.5 to 1)	5.42	5.07
Total Unencumbered Assets to Unsecured Debt (must be at least 125%)	457.1%	386.1%

Note: These selected covenants represent the most restrictive financial covenants relating to ERPOP's outstanding public debt securities and are defined in the indenture relating to such securities. The Company maintains substantial additional borrowing capacity and, as reflected by the above selected covenant information, believes it could currently incur substantial additional debt before it would breach any of its debt covenants.

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, 2020, 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, 2020**

	Same Store Properties (4)	Non-Same Store Properties/Other (5)	Total	Same Store Avg. Per Apartment Unit
Total Apartment Units	73,585	4,304	77,889	
Building Improvements (1)	\$ 78,969	\$ 2,905	\$ 81,874	\$ 1,073
Renovation Expenditures (2)	22,060	6	22,066	300
Replacements (3)	31,252	787	32,039	425
Total Capital Expenditures to Real Estate	\$ 132,281	\$ 3,698	\$ 135,979	\$ 1,798

- (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 1,034 same store apartment units approximated \$21,335 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, 2019, less properties subsequently sold.
- (5) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2019 and 2020, plus any properties in lease-up and not stabilized as of January 1, 2019. Also includes capital expenditures for properties sold.

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 Stores Properties (4)	Non-Same Store Properties/Other (5)	Total	Same Store Avg. Per 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.

The COVID-19 pandemic has led us to temporarily slow our capital expenditures, including our renovation activities, to those deemed essential. Governmental movement restrictions, social distancing requirements, and in some cases, difficulty in procuring materials and labor make continuing these activities more difficult.

The Company estimates that during 2021 it will spend approximately \$1,950 per same store apartment unit or \$150.0 million of total capital expenditures to real estate for same store properties. Included in these total expected expenditures are approximately \$25.0 million for apartment unit renovation expenditures on approximately 1,250 same store apartment units at an average cost of approximately \$20,000 per apartment unit renovated. The anticipated total capital expenditures to real estate for same store properties represent a higher absolute and per unit dollar amount as compared to 2020 but a lower absolute and per unit dollar amount as compared to 2019, as the Company anticipates slowly returning its capital expenditure activity to more normalized pre-COVID-19 levels.

During the year ended December 31, 2020, 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 \$20.1 million. The Company expects to fund approximately \$2.1 million in total non-real estate capital additions in 2021. These anticipated fundings are significantly lower than in 2020 primarily due to corporate office renovations completed 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, 2020.

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.
- 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.
- Blended Rate – The weighted average of New Lease Change and Renewal Rate Achieved.
- 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.
- **Leasing Concessions** – Reflects upfront discounts on both new move-in and renewal leases on a straight-line basis.
- **New Lease Change** – The net effective change in rent (inclusive of Leasing Concessions) for a lease with a new or transferring resident compared to the rent for the prior lease of the identical apartment unit, regardless of lease term.
- **Non-Residential** – Consists of revenues and expenses from retail and public parking garage operations.
- **Percentage of Residents Renewing** – Leases renewed expressed as a percentage of total renewal offers extended during the reporting period.
- **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.
- **Renewal Rate Achieved** – The net effective change in rent (inclusive of Leasing Concessions) for a new lease on an apartment unit where the lease has been renewed as compared to the rent for the prior lease of the identical apartment unit, regardless of lease term.
- **Residential** – Consists of multifamily apartment revenues and expenses.
- **Same Store Residential Revenues** – Revenues from our same store properties presented on a GAAP basis which reflects the impact of Leasing Concessions on a straight-line basis.
- **% of Stabilized Budgeted NOI** – Represents original budgeted 2021 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.
- **Traffic** – Consists of an expression of interest in an apartment by completing an in-person tour, self-guided tour or virtual tour that may result in an application to lease.
- **Turnover** – Total Residential move-outs (including inter-property and intra-property transfers) divided by total Residential apartment units.
- **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, 2020. 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, 2020 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, 2020:

Contractual Obligations	Payments Due by Year (in thousands)						Unamortized Cost/Discounts	Total
	2021	2022	2023	2024	2025	Thereafter		
Debt:								
Principal (1)	\$450,665	\$296,040	\$1,329,088	\$ 6,100	\$458,200	\$5,586,810	\$ (82,647)	\$ 8,044,256
Interest (2)	261,125	256,206	233,804	200,591	191,694	1,491,050	—	2,634,470
Finance Leases (3):								
Minimum Rent Payments	578	590	601	614	626	33,224	—	36,233
Operating Leases (3):								
Minimum Rent Payments	17,160	16,906	16,997	17,329	17,375	954,108	—	1,039,875
Other Long-Term Liabilities (3):								
Deferred Compensation	769	1,130	1,005	723	723	3,976	—	8,326
Total	<u>\$730,297</u>	<u>\$570,872</u>	<u>\$1,581,495</u>	<u>\$225,357</u>	<u>\$668,618</u>	<u>\$8,069,168</u>	<u>\$ (82,647)</u>	<u>\$11,763,160</u>

- (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, 2020 and inclusive of capitalized interest. For floating rate debt, the current rate in effect for the most recent payment through December 31, 2020 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, 2020.

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 three years ended December 31, 2020:

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

	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Preferred/preference distributions	(3,090)	(3,090)	(3,090)
Net income available to Common Shares and Units / Units	944,556	1,003,321	679,384
Adjustments:			
Depreciation	820,832	831,083	785,725
Depreciation – Non-real estate additions	(4,564)	(5,585)	(4,561)
Depreciation – Partially Owned Properties	(3,345)	(3,599)	(3,740)
Depreciation – Unconsolidated Properties	2,454	2,997	4,451
Net (gain) loss on sales of unconsolidated entities - operating assets	(1,636)	(69,522)	—
Net (gain) loss on sales of real estate properties	(531,807)	(447,637)	(256,810)
Noncontrolling Interests share of gain (loss) on sales of real estate properties	11,655	—	(284)
Impairment – operating assets	—	—	702
FFO available to Common Shares and Units / Units (1) (3) (4)	1,238,145	1,311,058	1,204,867
Adjustments:			
Impairment – non-operating assets	—	—	—
Write-off of pursuit costs	6,869	5,529	4,450
Debt extinguishment and preferred share redemption (gains) losses	39,292	23,991	41,335
Non-operating asset (gains) losses	(32,590)	(940)	(161)
Other miscellaneous items	4,652	8,430	(1,781)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	<u>\$ 1,256,368</u>	<u>\$ 1,348,068</u>	<u>\$ 1,248,710</u>
FFO (1) (3)	\$ 1,241,235	\$ 1,314,148	\$ 1,207,957
Preferred/preference distributions	(3,090)	(3,090)	(3,090)
FFO available to Common Shares and Units / Units (1) (3) (4)	<u>\$ 1,238,145</u>	<u>\$ 1,311,058</u>	<u>\$ 1,204,867</u>
Normalized FFO (2) (3)	\$ 1,259,458	\$ 1,351,158	\$ 1,251,800
Preferred/preference distributions	(3,090)	(3,090)	(3,090)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	<u>\$ 1,256,368</u>	<u>\$ 1,348,068</u>	<u>\$ 1,248,710</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 \$0.8 billion, representing 10.0% of total debt, and \$1.4 billion, representing 15.3% of total debt, as of December 31, 2020 and 2019, respectively. If interest rates had been 100 basis points higher in 2020 and 2019 and average balances coincided with year end balances, our annual interest expense would have been \$8.1 million and \$13.8 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, 2020, the Company had total outstanding fixed rate debt of \$7.2 billion, or 90.0% 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, 2020, the estimated fair market value would have increased by approximately \$686.6 million. 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.

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, 2020, 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, 2020. Our internal control over financial reporting has been audited as of December 31, 2020 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 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*ERP Operating Limited Partnership***(a) Evaluation of Disclosure Controls and Procedures:**

Effective as of December 31, 2020, 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, 2020. Our internal control over financial reporting has been audited as of December 31, 2020 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 2020 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, 2020, 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	Second Amendment to Eighth Amended and Restated Bylaws of Equity Residential, effective as of May 4, 2020.	Included as Exhibit 3.1 to Equity Residential's Form 8-K dated May 4, 2020, filed on May 8, 2020.
3.5	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.	Included as Exhibit 4.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2019.
4.2	Description of ERP Operating Limited Partnership Notes Registered Under Section 12 of the Securities Exchange Act of 1934.	Included as Exhibit 4.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2019.
4.3	Description of ERP Operating Limited Partnership OP Units Registered Under Section 12 of the Securities Exchange Act of 1934.	Included as Exhibit 4.3 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2019.
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.

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	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.
10.3	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.
10.4	* 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.
10.5	* 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.
10.6	* 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.
10.7	* 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.
10.8	* 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.
10.9	* 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.
10.10	* 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.
10.11	* 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.
10.12	* 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.
10.13	* Equity Residential Second Restated 2002 Share Incentive Plan dated December 10, 2008.	Included as Exhibit 10.15 to Equity Residential's Form 10-K for the year ended December 31, 2008.
10.14	* 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.
10.15	* 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.

10.16	* 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.
10.17	* 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.
10.18	* 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.
10.19	* 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.
10.20	* 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.
10.21	* 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.
10.22	* 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.
10.23	* 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.
10.24	* 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.
10.25	* 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.
10.26	* Age 62 Retirement Agreement, dated February 27, 2020, by and between Equity Residential and Alan W. George.	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, 2020.
10.27	* 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.
10.28	* Amendment to the Equity Residential Supplemental Executive Retirement Plan, effective as of June 1, 2020.	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, 2020.
10.29	* 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.
10.30	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.
10.31	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.
10.32	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.
10.33	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.
10.34	Archstone Parallel Residual JV 2, LLC Limited Liability Company Agreement.	Included as Exhibit 10.5 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.35	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 18, 2021

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 18, 2021

**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 2020, 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> Mark J. Parrell	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 18, 2021
<u>/s/ Robert A. Garechana</u> Robert A. Garechana	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 18, 2021
<u>/s/ Ian S. Kaufman</u> Ian S. Kaufman	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 18, 2021
<u>/s/ Angela Aman</u> Angela Aman	Trustee	February 18, 2021
<u>/s/ Raymond Bennett</u> Raymond Bennett	Trustee	February 18, 2021
<u>/s/ Linda Walker Bynoe</u> Linda Walker Bynoe	Trustee	February 18, 2021
<u>/s/ Connie K. Duckworth</u> Connie K. Duckworth	Trustee	February 18, 2021
<u>/s/ Mary Kay Haben</u> Mary Kay Haben	Trustee	February 18, 2021
<u>/s/ T. Zia Huque</u> T. Zia Huque	Trustee	February 18, 2021
<u>/s/ Bradley A. Keywell</u> Bradley A. Keywell	Trustee	February 18, 2021
<u>/s/ John E. Neal</u> John E. Neal	Trustee	February 18, 2021
<u>/s/ David J. Neithercut</u> David J. Neithercut	Trustee	February 18, 2021
<u>/s/ Mark S. Shapiro</u> Mark S. Shapiro	Trustee	February 18, 2021
<u>/s/ Stephen E. Sterrett</u> Stephen E. Sterrett	Trustee	February 18, 2021
<u>/s/ Samuel Zell</u> Samuel Zell	Chairman of the Board of Trustees	February 18, 2021

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EQUITY RESIDENTIAL ERP OPERATING LIMITED PARTNERSHIP

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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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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, 2020, the Company's net investment in real estate was approximately \$19.3 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 specialists to assist in evaluating certain assumptions used, including future rental revenues and operating expenses, and capitalization rates.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

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

Chicago, Illinois
February 18, 2021

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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, 2020, the Operating Partnership's net investment in real estate was approximately \$19.3 billion. As more fully described in Note 2 to the consolidated financial statements, the Operating Partnership 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 Operating Partnership'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 Operating Partnership'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 Operating Partnership'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 Operating Partnership'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 Operating Partnership 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 specialists to assist in evaluating certain assumptions used, including future rental revenues and operating expenses, and capitalization rates.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

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

Chicago, Illinois
February 18, 2021

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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 18, 2021 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 18, 2021

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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 18, 2021

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

	December 31, 2020	December 31, 2019
ASSETS		
Land	\$ 5,785,367	\$ 5,936,188
Depreciable property	20,920,654	21,319,101
Projects under development	411,134	181,630
Land held for development	86,170	96,688
Investment in real estate	27,203,325	27,533,607
Accumulated depreciation	(7,859,657)	(7,276,786)
Investment in real estate, net	19,343,668	20,256,821
Investments in unconsolidated entities	52,782	52,238
Cash and cash equivalents	42,591	45,753
Restricted deposits	57,137	71,246
Right-of-use assets	499,287	512,774
Other assets	291,426	233,937
Total assets	\$ 20,286,891	\$ 21,172,769
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 2,293,890	\$ 1,941,610
Notes, net	5,335,536	6,077,513
Line of credit and commercial paper	414,830	1,017,833
Accounts payable and accrued expenses	107,366	94,350
Accrued interest payable	65,896	66,852
Lease liabilities	329,130	331,334
Other liabilities	345,064	346,963
Security deposits	60,480	70,062
Distributions payable	232,262	218,326
Total liabilities	9,184,454	10,164,843
<i>Commitments and contingencies</i>		
Redeemable Noncontrolling Interests – Operating Partnership	338,951	463,400
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, 2020 and December 31, 2019	37,280	37,280
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 372,302,000 shares issued and outstanding as of December 31, 2020 and 371,670,884 shares issued and outstanding as of December 31, 2019	3,723	3,717
Paid in capital	9,128,599	8,965,577
Retained earnings	1,399,715	1,386,495
Accumulated other comprehensive income (loss)	(43,666)	(77,563)
Total shareholders' equity	10,525,651	10,315,506
Noncontrolling Interests:		
Operating Partnership	233,162	227,837
Partially Owned Properties	4,673	1,183
Total Noncontrolling Interests	237,835	229,020
Total equity	10,763,486	10,544,526
Total liabilities and equity	\$ 20,286,891	\$ 21,172,769

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
REVENUES			
Rental income	\$ 2,571,705	\$ 2,700,691	\$ 2,577,681
EXPENSES			
Property and maintenance	440,998	446,845	429,335
Real estate taxes and insurance	381,562	366,139	357,814
Property management	93,825	95,344	92,485
General and administrative	48,305	52,757	53,813
Depreciation	820,832	831,083	785,725
Total expenses	1,785,522	1,792,168	1,719,172
Net gain (loss) on sales of real estate properties	531,807	447,637	256,810
Impairment	—	—	(702)
Operating income	1,317,990	1,356,160	1,114,617
Interest and other income	5,935	3,201	16,070
Other expenses	(17,510)	(18,177)	(17,267)
Interest:			
Expense incurred, net	(365,073)	(390,076)	(413,360)
Amortization of deferred financing costs	(8,939)	(11,670)	(11,310)
Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels	932,403	939,438	688,750
Income and other tax (expense) benefit	(852)	2,281	(878)
Income (loss) from investments in unconsolidated entities	(3,284)	65,945	(3,667)
Net gain (loss) on sales of land parcels	34,234	2,044	987
Net income	962,501	1,009,708	685,192
Net (income) loss attributable to Noncontrolling Interests:			
Operating Partnership	(34,010)	(36,034)	(24,939)
Partially Owned Properties	(14,855)	(3,297)	(2,718)
Net income attributable to controlling interests	913,636	970,377	657,535
Preferred distributions	(3,090)	(3,090)	(3,090)
Net income available to Common Shares	<u>\$ 910,546</u>	<u>\$ 967,287</u>	<u>\$ 654,445</u>
Earnings per share – basic:			
Net income available to Common Shares	<u>\$ 2.45</u>	<u>\$ 2.61</u>	<u>\$ 1.78</u>
Weighted average Common Shares outstanding	<u>371,791</u>	<u>370,461</u>	<u>368,052</u>
Earnings per share – diluted:			
Net income available to Common Shares	<u>\$ 2.45</u>	<u>\$ 2.60</u>	<u>\$ 1.77</u>
Weighted average Common Shares outstanding	<u>385,874</u>	<u>386,333</u>	<u>383,695</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,		
	2020	2019	2018
Comprehensive income:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,190)	(33,765)	5,174
Losses reclassified into earnings from other comprehensive income	35,087	21,188	18,452
Other comprehensive income (loss)	33,897	(12,577)	23,626
Comprehensive income	996,398	997,131	708,818
Comprehensive (income) attributable to Noncontrolling Interests	(50,084)	(38,872)	(28,526)
Comprehensive income attributable to controlling interests	<u>\$ 946,314</u>	<u>\$ 958,259</u>	<u>\$ 680,292</u>

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation	820,832	831,083	785,725
Amortization of deferred financing costs	8,939	11,670	11,310
Amortization of above/below market lease intangibles	(71)	(71)	4,392
Amortization of discounts and premiums on debt	5,231	11,780	22,781
Amortization of deferred settlements on derivative instruments	35,075	21,176	18,440
Amortization of right-of-use assets	11,682	11,764	—
Impairment	—	—	702
Write-off of pursuit costs	6,869	5,529	4,450
(Income) loss from investments in unconsolidated entities	3,284	(65,945)	3,667
Distributions from unconsolidated entities – return on capital	100	2,621	2,492
Net (gain) loss on sales of real estate properties	(531,807)	(447,637)	(256,810)
Net (gain) loss on sales of land parcels	(34,234)	(2,044)	(987)
Net (gain) loss on debt extinguishment	26,150	13,647	22,110
Realized/unrealized (gain) loss on derivative instruments	50	—	50
Compensation paid with Company Common Shares	23,174	24,449	27,132
Other operating activities, net	1,805	(287)	—
<i>Changes in assets and liabilities:</i>			
(Increase) decrease in other assets	(53,021)	6,278	4,097
Increase (decrease) in accounts payable and accrued expenses	470	5,116	(1,862)
Increase (decrease) in accrued interest payable	(956)	4,230	4,587
Increase (decrease) in lease liabilities	(2,204)	(2,269)	—
Increase (decrease) in other liabilities	(8,751)	13,382	16,578
Increase (decrease) in security deposits	(9,582)	2,804	2,249
Net cash provided by operating activities	1,265,536	1,456,984	1,356,295
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(48,898)	(1,518,878)	(708,092)
Investment in real estate – development/other	(230,332)	(195,692)	(154,431)
Capital expenditures to real estate	(135,979)	(178,423)	(188,501)
Non-real estate capital additions	(20,100)	(4,955)	(4,505)
Interest capitalized for real estate under development	(10,165)	(6,884)	(6,260)
Proceeds from disposition of real estate, net	1,113,972	1,064,619	691,526
Investments in unconsolidated entities	(5,775)	(9,604)	(6,571)
Distributions from unconsolidated entities – return of capital	1,636	78,262	—
Purchase of investment securities and other investments	(773)	(269)	—
Net cash provided by (used for) investing activities	663,586	(771,824)	(376,834)

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$ (2,923)	\$ (19,812)	\$ (8,583)
<i>Mortgage notes payable, net:</i>			
Proceeds	519,204	295,771	96,935
Lump sum payoffs	(160,522)	(743,021)	(1,347,939)
Scheduled principal repayments	(7,759)	(6,808)	(6,629)
Net gain (loss) on debt extinguishment	(327)	(3,381)	(22,110)
<i>Notes, net:</i>			
Proceeds	—	1,194,468	896,294
Lump sum payoffs	(750,000)	(1,050,000)	—
Net gain (loss) on debt extinguishment	(25,823)	(10,266)	—
<i>Line of credit and commercial paper:</i>			
Line of credit proceeds	1,870,000	6,010,000	3,805,000
Line of credit repayments	(1,890,000)	(5,990,000)	(3,805,000)
Commercial paper proceeds	7,450,997	15,944,800	14,030,926
Commercial paper repayments	(8,034,000)	(15,446,150)	(13,831,500)
Proceeds from (payments on) settlement of derivative instruments	(1,240)	(41,616)	18,118
Prepaid finance ground lease	—	(34,734)	—
Proceeds from Employee Share Purchase Plan (ESPP)	4,508	3,116	3,879
Proceeds from exercise of options	12,275	77,785	30,655
Payment of offering costs	—	(991)	(27)
Other financing activities, net	(63)	(80)	(78)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(13)
Contributions – Noncontrolling Interests – Partially Owned Properties	417	7,337	125
Contributions – Noncontrolling Interests – Operating Partnership	13	2	1
<i>Distributions:</i>			
Common Shares	(883,938)	(831,111)	(782,122)
Preferred Shares	(3,090)	(3,090)	(3,863)
Noncontrolling Interests – Operating Partnership	(32,403)	(29,615)	(28,226)
Noncontrolling Interests – Partially Owned Properties	(11,719)	(7,078)	(9,753)
Net cash provided by (used for) financing activities	(1,946,393)	(684,474)	(963,910)
Net increase (decrease) in cash and cash equivalents and restricted deposits	(17,271)	686	15,551
Cash and cash equivalents and restricted deposits, beginning of year	116,999	116,313	100,762
Cash and cash equivalents and restricted deposits, end of year	<u>\$ 99,728</u>	<u>\$ 116,999</u>	<u>\$ 116,313</u>
Cash and cash equivalents and restricted deposits, end of year			
Cash and cash equivalents	\$ 42,591	\$ 45,753	\$ 47,442
Restricted deposits	57,137	71,246	68,871
Total cash and cash equivalents and restricted deposits, end of year	<u>\$ 99,728</u>	<u>\$ 116,999</u>	<u>\$ 116,313</u>

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$ 320,854	\$ 342,048	\$ 358,156
Net cash paid (received) for income and other taxes	\$ (1,038)	\$ (585)	\$ 853
<i>Amortization of deferred financing costs:</i>			
Investment in real estate, net	\$ (240)	\$ (120)	\$ —
Other assets	\$ 2,338	\$ 2,987	\$ 2,412
Mortgage notes payable, net	\$ 1,815	\$ 3,934	\$ 4,792
Notes, net	\$ 5,026	\$ 4,869	\$ 4,106
<i>Amortization of discounts and premiums on debt:</i>			
Mortgage notes payable, net	\$ 2,234	\$ 8,618	\$ 20,144
Notes, net	\$ 2,997	\$ 3,162	\$ 2,637
<i>Amortization of deferred settlements on derivative instruments:</i>			
Other liabilities	\$ (12)	\$ (12)	\$ (12)
Accumulated other comprehensive income	\$ 35,087	\$ 21,188	\$ 18,452
<i>Write-off of pursuit costs:</i>			
Investment in real estate, net	\$ 6,566	\$ 5,451	\$ 4,364
Other assets	\$ 271	\$ 62	\$ 53
Accounts payable and accrued expenses	\$ 32	\$ 16	\$ 33
<i>(Income) loss from investments in unconsolidated entities:</i>			
Investments in unconsolidated entities	\$ 1,995	\$ (67,268)	\$ 2,304
Other liabilities	\$ 1,289	\$ 1,323	\$ 1,363
<i>Realized/unrealized (gain) loss on derivative instruments:</i>			
Other assets	\$ —	\$ 2,002	\$ (14,977)
Notes, net	\$ —	\$ 2,277	\$ (680)
Other liabilities	\$ 1,240	\$ 29,486	\$ 10,533
Accumulated other comprehensive income	\$ (1,190)	\$ (33,765)	\$ 5,174
<i>Investments in unconsolidated entities:</i>			
Investments in unconsolidated entities	\$ (4,275)	\$ (7,504)	\$ (4,891)
Other liabilities	\$ (1,500)	\$ (2,100)	\$ (1,680)
<i>Debt financing costs:</i>			
Other assets	\$ (231)	\$ (6,909)	\$ (145)
Mortgage notes payable, net	\$ (2,692)	\$ (2,354)	\$ (555)
Notes, net	\$ —	\$ (10,549)	\$ (7,883)
<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
Other liabilities	\$ (1,240)	\$ (41,616)	\$ —

See accompanying notes

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands except per share data)

	Year Ended December 31,		
	2020	2019	2018
SHAREHOLDERS' EQUITY			
PREFERRED SHARES			
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>
COMMON SHARES, \$0.01 PAR VALUE			
Balance, beginning of year	\$ 3,717	\$ 3,694	\$ 3,680
Conversion of OP Units into Common Shares	1	3	1
Exercise of share options	2	17	11
Employee Share Purchase Plan (ESPP)	1	1	1
Share-based employee compensation expense:			
Restricted shares	2	2	1
Balance, end of year	<u>\$ 3,723</u>	<u>\$ 3,717</u>	<u>\$ 3,694</u>
PAID IN CAPITAL			
Balance, beginning of year	\$ 8,965,577	\$ 8,935,453	\$ 8,886,586
Common Share Issuance:			
Conversion of OP Units into Common Shares	4,695	10,407	4,097
Exercise of share options	12,273	77,768	30,644
Employee Share Purchase Plan (ESPP)	4,507	3,115	3,878
Share-based employee compensation expense:			
Restricted shares	11,223	12,436	8,257
Share options	2,349	2,675	9,734
ESPP discount	944	642	767
Offering costs	—	(991)	(27)
Supplemental Executive Retirement Plan (SERP)	(395)	(1,675)	(454)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	125,224	(82,283)	(13,922)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	2,202	8,030	5,893
Balance, end of year	<u>\$ 9,128,599</u>	<u>\$ 8,965,577</u>	<u>\$ 8,935,453</u>
RETAINED EARNINGS			
Balance, beginning of year	\$ 1,386,495	\$ 1,261,763	\$ 1,403,530
Net income attributable to controlling interests	913,636	970,377	657,535
Common Share distributions	(897,326)	(842,555)	(796,212)
Preferred Share distributions	(3,090)	(3,090)	(3,090)
Balance, end of year	<u>\$ 1,399,715</u>	<u>\$ 1,386,495</u>	<u>\$ 1,261,763</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance, beginning of year	\$ (77,563)	\$ (64,986)	\$ (88,612)
Accumulated other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,190)	(33,765)	5,174
Losses reclassified into earnings from other comprehensive income	35,087	21,188	18,452
Balance, end of year	<u>\$ (43,666)</u>	<u>\$ (77,563)</u>	<u>\$ (64,986)</u>
DISTRIBUTIONS			
Distributions declared per Common Share outstanding	<u>\$ 2.41</u>	<u>\$ 2.27</u>	<u>\$ 2.16</u>

See accompanying notes

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Amounts in thousands except per share data)

	Year Ended December 31,		
	2020	2019	2018
<u>NONCONTROLLING INTERESTS</u>			
OPERATING PARTNERSHIP			
Balance, beginning of year	\$ 227,837	\$ 228,738	\$ 226,691
Issuance of restricted units to Noncontrolling Interests	13	2	1
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(4,696)	(10,410)	(4,098)
Equity compensation associated with Noncontrolling Interests	11,926	13,410	14,009
Net income attributable to Noncontrolling Interests	34,010	36,034	24,939
Distributions to Noncontrolling Interests	(32,951)	(29,896)	(28,682)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	(775)	(2,011)	1,771
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(2,202)	(8,030)	(5,893)
Balance, end of year	<u>\$ 233,162</u>	<u>\$ 227,837</u>	<u>\$ 228,738</u>
PARTIALLY OWNED PROPERTIES			
Balance, beginning of year	\$ 1,183	\$ (2,293)	\$ 4,708
Net income attributable to Noncontrolling Interests	14,855	3,297	2,718
Acquisitions of Noncontrolling Interests – Partially Owned Properties	—	—	(13)
Contributions by Noncontrolling Interests	417	7,337	125
Distributions to Noncontrolling Interests	(11,782)	(7,158)	(9,831)
Balance, end of year	<u>\$ 4,673</u>	<u>\$ 1,183</u>	<u>\$ (2,293)</u>

See accompanying notes

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

	December 31, 2020	December 31, 2019
ASSETS		
Land	\$ 5,785,367	\$ 5,936,188
Depreciable property	20,920,654	21,319,101
Projects under development	411,134	181,630
Land held for development	86,170	96,688
Investment in real estate	27,203,325	27,533,607
Accumulated depreciation	(7,859,657)	(7,276,786)
Investment in real estate, net	19,343,668	20,256,821
Investments in unconsolidated entities	52,782	52,238
Cash and cash equivalents	42,591	45,753
Restricted deposits	57,137	71,246
Right-of-use assets	499,287	512,774
Other assets	291,426	233,937
Total assets	\$ 20,286,891	\$ 21,172,769
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net	\$ 2,293,890	\$ 1,941,610
Notes, net	5,335,536	6,077,513
Line of credit and commercial paper	414,830	1,017,833
Accounts payable and accrued expenses	107,366	94,350
Accrued interest payable	65,896	66,852
Lease liabilities	329,130	331,334
Other liabilities	345,064	346,963
Security deposits	60,480	70,062
Distributions payable	232,262	218,326
Total liabilities	9,184,454	10,164,843
<i>Commitments and contingencies</i>		
Redeemable Limited Partners	338,951	463,400
Capital:		
Partners' Capital:		
Preference Units	37,280	37,280
General Partner	10,532,037	10,355,789
Limited Partners	233,162	227,837
Accumulated other comprehensive income (loss)	(43,666)	(77,563)
Total partners' capital	10,758,813	10,543,343
Noncontrolling Interests – Partially Owned Properties	4,673	1,183
Total capital	10,763,486	10,544,526
Total liabilities and capital	\$ 20,286,891	\$ 21,172,769

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,		
	2020	2019	2018
REVENUES			
Rental income	\$ 2,571,705	\$ 2,700,691	\$ 2,577,681
EXPENSES			
Property and maintenance	440,998	446,845	429,335
Real estate taxes and insurance	381,562	366,139	357,814
Property management	93,825	95,344	92,485
General and administrative	48,305	52,757	53,813
Depreciation	820,832	831,083	785,725
Total expenses	1,785,522	1,792,168	1,719,172
Net gain (loss) on sales of real estate properties	531,807	447,637	256,810
Impairment	—	—	(702)
Operating income	1,317,990	1,356,160	1,114,617
Interest and other income	5,935	3,201	16,070
Other expenses	(17,510)	(18,177)	(17,267)
Interest:			
Expense incurred, net	(365,073)	(390,076)	(413,360)
Amortization of deferred financing costs	(8,939)	(11,670)	(11,310)
Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels	932,403	939,438	688,750
Income and other tax (expense) benefit	(852)	2,281	(878)
Income (loss) from investments in unconsolidated entities	(3,284)	65,945	(3,667)
Net gain (loss) on sales of land parcels	34,234	2,044	987
Net income	962,501	1,009,708	685,192
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Net income attributable to controlling interests	\$ 947,646	\$ 1,006,411	\$ 682,474
ALLOCATION OF NET INCOME:			
Preference Units	\$ 3,090	\$ 3,090	\$ 3,090
General Partner	\$ 910,546	\$ 967,287	\$ 654,445
Limited Partners	34,010	36,034	24,939
Net income available to Units	\$ 944,556	\$ 1,003,321	\$ 679,384
Earnings per Unit – basic:			
Net income available to Units	\$ 2.45	\$ 2.61	\$ 1.78
Weighted average Units outstanding	384,794	383,368	380,921
Earnings per Unit – diluted:			
Net income available to Units	\$ 2.45	\$ 2.60	\$ 1.77
Weighted average Units outstanding	385,874	386,333	383,695

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,		
	2020	2019	2018
Comprehensive income:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,190)	(33,765)	5,174
Losses reclassified into earnings from other comprehensive income	35,087	21,188	18,452
Other comprehensive income (loss)	33,897	(12,577)	23,626
Comprehensive income	996,398	997,131	708,818
Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Comprehensive income attributable to controlling interests	<u>\$ 981,543</u>	<u>\$ 993,834</u>	<u>\$ 706,100</u>

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation	820,832	831,083	785,725
Amortization of deferred financing costs	8,939	11,670	11,310
Amortization of above/below market lease intangibles	(71)	(71)	4,392
Amortization of discounts and premiums on debt	5,231	11,780	22,781
Amortization of deferred settlements on derivative instruments	35,075	21,176	18,440
Amortization of right-of-use assets	11,682	11,764	—
Impairment	—	—	702
Write-off of pursuit costs	6,869	5,529	4,450
(Income) loss from investments in unconsolidated entities	3,284	(65,945)	3,667
Distributions from unconsolidated entities – return on capital	100	2,621	2,492
Net (gain) loss on sales of real estate properties	(531,807)	(447,637)	(256,810)
Net (gain) loss on sales of land parcels	(34,234)	(2,044)	(987)
Net (gain) loss on debt extinguishment	26,150	13,647	22,110
Realized/unrealized (gain) loss on derivative instruments	50	—	50
Compensation paid with Company Common Shares	23,174	24,449	27,132
Other operating activities, net	1,805	(287)	—
<i>Changes in assets and liabilities:</i>			
(Increase) decrease in other assets	(53,021)	6,278	4,097
Increase (decrease) in accounts payable and accrued expenses	470	5,116	(1,862)
Increase (decrease) in accrued interest payable	(956)	4,230	4,587
Increase (decrease) in lease liabilities	(2,204)	(2,269)	—
Increase (decrease) in other liabilities	(8,751)	13,382	16,578
Increase (decrease) in security deposits	(9,582)	2,804	2,249
Net cash provided by operating activities	1,265,536	1,456,984	1,356,295
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(48,898)	(1,518,878)	(708,092)
Investment in real estate – development/other	(230,332)	(195,692)	(154,431)
Capital expenditures to real estate	(135,979)	(178,423)	(188,501)
Non-real estate capital additions	(20,100)	(4,955)	(4,505)
Interest capitalized for real estate under development	(10,165)	(6,884)	(6,260)
Proceeds from disposition of real estate, net	1,113,972	1,064,619	691,526
Investments in unconsolidated entities	(5,775)	(9,604)	(6,571)
Distributions from unconsolidated entities – return of capital	1,636	78,262	—
Purchase of investment securities and other investments	(773)	(269)	—
Net cash provided by (used for) investing activities	663,586	(771,824)	(376,834)

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$ (2,923)	\$ (19,812)	\$ (8,583)
<i>Mortgage notes payable, net:</i>			
Proceeds	519,204	295,771	96,935
Lump sum payoffs	(160,522)	(743,021)	(1,347,939)
Scheduled principal repayments	(7,759)	(6,808)	(6,629)
Net gain (loss) on debt extinguishment	(327)	(3,381)	(22,110)
<i>Notes, net:</i>			
Proceeds	—	1,194,468	896,294
Lump sum payoffs	(750,000)	(1,050,000)	—
Net gain (loss) on debt extinguishment	(25,823)	(10,266)	—
<i>Line of credit and commercial paper:</i>			
Line of credit proceeds	1,870,000	6,010,000	3,805,000
Line of credit repayments	(1,890,000)	(5,990,000)	(3,805,000)
Commercial paper proceeds	7,450,997	15,944,800	14,030,926
Commercial paper repayments	(8,034,000)	(15,446,150)	(13,831,500)
Proceeds from (payments on) settlement of derivative instruments	(1,240)	(41,616)	18,118
Prepaid finance ground lease	—	(34,734)	—
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	4,508	3,116	3,879
Proceeds from exercise of EQR options	12,275	77,785	30,655
Payment of offering costs	—	(991)	(27)
Other financing activities, net	(63)	(80)	(78)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(13)
Contributions – Noncontrolling Interests – Partially Owned Properties	417	7,337	125
Contributions – Limited Partners	13	2	1
<i>Distributions:</i>			
OP Units – General Partner	(883,938)	(831,111)	(782,122)
Preference Units	(3,090)	(3,090)	(3,863)
OP Units – Limited Partners	(32,403)	(29,615)	(28,226)
Noncontrolling Interests – Partially Owned Properties	(11,719)	(7,078)	(9,753)
Net cash provided by (used for) financing activities	(1,946,393)	(684,474)	(963,910)
Net increase (decrease) in cash and cash equivalents and restricted deposits	(17,271)	686	15,551
Cash and cash equivalents and restricted deposits, beginning of year	116,999	116,313	100,762
Cash and cash equivalents and restricted deposits, end of year	<u>\$ 99,728</u>	<u>\$ 116,999</u>	<u>\$ 116,313</u>
Cash and cash equivalents and restricted deposits, end of year			
Cash and cash equivalents	\$ 42,591	\$ 45,753	\$ 47,442
Restricted deposits	57,137	71,246	68,871
Total cash and cash equivalents and restricted deposits, end of year	<u>\$ 99,728</u>	<u>\$ 116,999</u>	<u>\$ 116,313</u>

See accompanying notes

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

	Year Ended December 31,		
	2020	2019	2018
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$ 320,854	\$ 342,048	\$ 358,156
Net cash paid (received) for income and other taxes	\$ (1,038)	\$ (585)	\$ 853
<i>Amortization of deferred financing costs:</i>			
Investment in real estate, net	\$ (240)	\$ (120)	\$ —
Other assets	\$ 2,338	\$ 2,987	\$ 2,412
Mortgage notes payable, net	\$ 1,815	\$ 3,934	\$ 4,792
Notes, net	\$ 5,026	\$ 4,869	\$ 4,106
<i>Amortization of discounts and premiums on debt:</i>			
Mortgage notes payable, net	\$ 2,234	\$ 8,618	\$ 20,144
Notes, net	\$ 2,997	\$ 3,162	\$ 2,637
<i>Amortization of deferred settlements on derivative instruments:</i>			
Other liabilities	\$ (12)	\$ (12)	\$ (12)
Accumulated other comprehensive income	\$ 35,087	\$ 21,188	\$ 18,452
<i>Write-off of pursuit costs:</i>			
Investment in real estate, net	\$ 6,566	\$ 5,451	\$ 4,364
Other assets	\$ 271	\$ 62	\$ 53
Accounts payable and accrued expenses	\$ 32	\$ 16	\$ 33
<i>(Income) loss from investments in unconsolidated entities:</i>			
Investments in unconsolidated entities	\$ 1,995	\$ (67,268)	\$ 2,304
Other liabilities	\$ 1,289	\$ 1,323	\$ 1,363
<i>Realized/unrealized (gain) loss on derivative instruments:</i>			
Other assets	\$ —	\$ 2,002	\$ (14,977)
Notes, net	\$ —	\$ 2,277	\$ (680)
Other liabilities	\$ 1,240	\$ 29,486	\$ 10,533
Accumulated other comprehensive income	\$ (1,190)	\$ (33,765)	\$ 5,174
<i>Investments in unconsolidated entities:</i>			
Investments in unconsolidated entities	\$ (4,275)	\$ (7,504)	\$ (4,891)
Other liabilities	\$ (1,500)	\$ (2,100)	\$ (1,680)
<i>Debt financing costs:</i>			
Other assets	\$ (231)	\$ (6,909)	\$ (145)
Mortgage notes payable, net	\$ (2,692)	\$ (2,354)	\$ (555)
Notes, net	\$ —	\$ (10,549)	\$ (7,883)
<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
Other liabilities	\$ (1,240)	\$ (41,616)	\$ —

See accompanying notes

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL
(Amounts in thousands except per Unit data)

	Year Ended December 31,		
	2020	2019	2018
PARTNERS' CAPITAL			
PREFERENCE UNITS			
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>
GENERAL PARTNER			
Balance, beginning of year	\$ 10,355,789	\$ 10,200,910	\$ 10,293,796
OP Unit Issuance:			
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	4,696	10,410	4,098
Exercise of EQR share options	12,275	77,785	30,655
EQR's Employee Share Purchase Plan (ESPP)	4,508	3,116	3,879
Share-based employee compensation expense:			
EQR restricted shares	11,225	12,438	8,258
EQR share options	2,349	2,675	9,734
EQR ESPP discount	944	642	767
Net income available to Units – General Partner	910,546	967,287	654,445
OP Units – General Partner distributions	(897,326)	(842,555)	(796,212)
Offering costs	—	(991)	(27)
Supplemental Executive Retirement Plan (SERP)	(395)	(1,675)	(454)
Change in market value of Redeemable Limited Partners	125,224	(82,283)	(13,922)
Adjustment for Limited Partners ownership in Operating Partnership	2,202	8,030	5,893
Balance, end of year	<u>\$ 10,532,037</u>	<u>\$ 10,355,789</u>	<u>\$ 10,200,910</u>
LIMITED PARTNERS			
Balance, beginning of year	\$ 227,837	\$ 228,738	\$ 226,691
Issuance of restricted units to Limited Partners	13	2	1
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(4,696)	(10,410)	(4,098)
Equity compensation associated with Units – Limited Partners	11,926	13,410	14,009
Net income available to Units – Limited Partners	34,010	36,034	24,939
Units – Limited Partners distributions	(32,951)	(29,896)	(28,682)
Change in carrying value of Redeemable Limited Partners	(775)	(2,011)	1,771
Adjustment for Limited Partners ownership in Operating Partnership	(2,202)	(8,030)	(5,893)
Balance, end of year	<u>\$ 233,162</u>	<u>\$ 227,837</u>	<u>\$ 228,738</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance, beginning of year	\$ (77,563)	\$ (64,986)	\$ (88,612)
Accumulated other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,190)	(33,765)	5,174
Losses reclassified into earnings from other comprehensive income	35,087	21,188	18,452
Balance, end of year	<u>\$ (43,666)</u>	<u>\$ (77,563)</u>	<u>\$ (64,986)</u>
DISTRIBUTIONS			
Distributions declared per Unit outstanding	<u>\$ 2.41</u>	<u>\$ 2.27</u>	<u>\$ 2.16</u>

See accompanying notes

ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (Continued)
(Amounts in thousands except per Unit data)

	Year Ended December 31,		
	2020	2019	2018
NONCONTROLLING INTERESTS			
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES			
Balance, beginning of year	\$ 1,183	\$ (2,293)	\$ 4,708
Net income attributable to Noncontrolling Interests	14,855	3,297	2,718
Acquisitions of Noncontrolling Interests – Partially Owned Properties	—	—	(13)
Contributions by Noncontrolling Interests	417	7,337	125
Distributions to Noncontrolling Interests	(11,782)	(7,158)	(9,831)
Balance, end of year	<u>\$ 4,673</u>	<u>\$ 1,183</u>	<u>\$ (2,293)</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 residential properties located in and around dynamic cities that attract high quality long-term renters, 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, 2020 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, 2020, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 304 properties located in 9 states and the District of Columbia consisting of 77,889 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	<u>Properties</u>	<u>Apartment Units</u>
Wholly Owned Properties	287	74,328
Master-Leased Property – Consolidated	1	162
Partially Owned Properties – Consolidated	16	3,399
	<u>304</u>	<u>77,889</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.

COVID-19 Pandemic

The continued rapid development and fast-changing nature of the novel coronavirus (“COVID-19”) pandemic creates many unknowns that have had and could continue to have a significant future impact on the Company. Its duration, severity and the extent of the adverse health impact on the general population, our residents and employees, the rollout and effectiveness of vaccines and the potential long-term changes in customer preferences for living in our communities, are among the many unknowns. These, among other items, have impacted the economy, the unemployment rate and our operations and could materially affect our future consolidated results of operations, financial condition, liquidity, investments and overall performance.

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, 2020 and 2019, 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 \$15,000 and \$40,000 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 non-residential leases' term at acquisition approximates the average remaining term of all acquired non-residential 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

At least quarterly, the Company 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 an impairment indicator exists, 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.

Impairment of Investments in Unconsolidated Entities

At least quarterly, the Company evaluates its investments in unconsolidated entities, including any multifamily real estate assets held by a joint venture, for indicators of other than temporary impairment, considering whether there has been a change to events or circumstances that would impact recoverability of the Company's investment as well as any changes with regards to the Company's intent and ability to hold the investment to recover its carrying value.

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. For all development, capital and renovation 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, as well as payroll for those individuals directly responsible for and who spend their time on the execution and supervision of development activities. Additionally, the Company capitalizes payroll for those individuals directly responsible for and who spend their time on the execution and supervision of major capital and/or renovation projects. Capitalization ends when the asset, or a portion of the asset, is substantially completed and ready for its intended use. These costs are reflected on the balance sheets as increases to depreciable property and/or construction-in-progress.

During the years ended December 31, 2020, 2019 and 2018, the Company capitalized \$12.1 million, \$14.2 million and \$13.2 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 non-residential leases is also recorded on a straight-line basis. Non-residential 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, non-residential and other lease income, which are accounted for under the lease 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 non-residential 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 lease 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 lease 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 lease 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.
- 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.

See Note 8 for the Company's rental income detail allocated between the lease and revenue recognition standards.

The Company's allowance for doubtful accounts (which offsets accounts receivable and is included within other assets on the consolidated balance sheets) and bad debts (which reduce rental income on the consolidated statements of operations and comprehensive income) have historically been very modest, particularly in our residential business, given the quality of our resident base and asset class. However, due to the impact of the COVID-19 pandemic, the allowance for doubtful accounts and bad debts became elevated during 2020 and will likely remain elevated in 2021. In accordance with the lease standard, if we determine the lease payments are not probable of collection (based on known troubled accounts, rent deferral plans granted, historical experience and other currently available evidence), we fully reserve for any unpaid amounts, deferred rent receivable, variable lease payments and straight-line receivable balances and recognize rental income only if cash is received. If the Company's estimates of collectibility differ from the cash received, then the timing and amount of the Company's reported revenue could be impacted. See Note 8 for additional details.

Share-Based Compensation

The Company expenses share-based compensation for employee and trustee grants of 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.

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 at the EQR level. In addition, ERPOP generally is not liable for federal income taxes as the partners recognize their allocable 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.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act was enacted to provide economic relief to companies and individuals in response to the COVID-19 pandemic. Included in the CARES Act are tax provisions which increase allowable interest expense deductions for 2019 and 2020 and increase the ability for taxpayers to use net operating losses. These provisions did not result in a material impact to the Company's taxable income or tax liabilities.

The CARES Act also allowed corporations to request accelerated refunds of their alternative minimum tax ("AMT") credit. Prior to enactment of this provision, the remaining credits would have been refunded in installments in 2020, 2021 and 2022. We received a refund of our remaining \$1.6 million in AMT credits during the year ended December 31, 2020.

The Company's provision for income and other tax expense (benefit) was as follows for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands):

	Year Ended December 31,		
	2020	2019	2018
State and local income, franchise and excise tax (benefit)	\$ 852	\$ 963	\$ 878
Alternative minimum tax credit (benefit) (1)	—	(3,244)	—
Income and other tax expense (benefit) (2)	<u>\$ 852</u>	<u>\$ (2,281)</u>	<u>\$ 878</u>

- (1) As provided in recent tax legislation which repealed the AMT credit on corporations, in 2019 the Company claimed/received \$1.6 million of refunds of various AMT credit carryovers generated in prior tax years. The provision originally allowed for carryover amounts to be refunded over four years, with 50% available in the first year. The remaining \$1.6 million was received in 2020 as noted above.
- (2) All provisions for income tax amounts are current and none are deferred.

During the years ended December 31, 2020, 2019 and 2018, the tax character of the Company's dividends and distributions were as follows (unaudited):

	Year Ended December 31,		
	2020 (1)	2019 (2)	2018 (3)
Tax character of dividends and distributions:			
Ordinary dividends	\$ 1.34739	\$ 1.39604	\$ 1.84454
Long-term capital gain	0.77923	0.61243	0.21423
Unrecaptured section 1250 gain	0.24838	0.23403	0.06498
Dividends and distributions per			
Common Share/Unit outstanding	<u>\$ 2.37500</u>	<u>\$ 2.24250</u>	<u>\$ 2.12375</u>

- (1) The Company's fourth quarter 2020 dividends and distributions of \$0.6025 per Common Share/Unit outstanding will be included as taxable income in calendar year 2021.
- (2) The Company's fourth quarter 2019 dividends and distributions of \$0.5675 per Common Share/Unit outstanding was included as taxable income in calendar year 2020.
- (3) 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.

The unaudited cost of land and depreciable property, net of accumulated depreciation, for federal income tax purposes as of December 31, 2020 and 2019 was approximately \$13.8 billion and \$13.7 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. In response to the COVID-19 pandemic, management evaluated whether its estimates, such as lease collectibility (discussed below in *Recently Adopted Accounting Pronouncements*) and impairment, required revised approaches and generally concluded that no revisions were necessary at this time.

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 August 2020, the Financial Accounting Standards Board ("FASB") issued an amendment to the debt and equity financial instruments standards which simplifies the accounting for convertible instruments and accounting for contracts in an entity's own equity. Instead of being required to assess whether an equity contract permits settlement in unregistered shares, which may require a legal analysis under the securities laws, entities will only analyze whether cash settlements are explicitly required when registered shares are unavailable. As a result, such contracts may be classified in permanent rather than mezzanine equity, which may affect the way the Company's OP Units are presented on its financial statements. The update is effective for the Company beginning on January 1, 2022, but early adoption is allowed beginning January 1, 2021. The Company is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In March 2020, the FASB issued an amendment to the reference rate reform standard which provides the option for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on contract modifications and hedge accounting. An example of such reform is the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. Entities that make this optional expedient election would not have to remeasure the contracts at the modification date or reassess the accounting treatment if certain criteria are met and would continue applying hedge accounting for relationships affected by reference rate reform. The new standard was effective for the Company upon issuance and elections can be made through December 31, 2022. The Company is currently evaluating its options with regards to existing contracts and hedging relationships and the impact of adopting this update on its consolidated results of operations and financial position.

Recently Adopted Accounting Pronouncements

In April 2020, a FASB staff question and answer document was issued which intended to reduce the challenges of evaluating the enforceable rights and obligations of leases for concessions granted to lessees in response to the COVID-19 pandemic. We elected not to evaluate whether qualifying concessions provided by the Company in response to the COVID-19 pandemic are a lease modification, subject to the criteria that the total payments under the amended lease cannot result in a substantial increase in the rights of the lessor or obligations of the lessee. We also elected to treat the concessions as though they were contemplated as part of the existing contracts and therefore will not apply lease modification rules to the qualifying lease concession amendments. As such, deferrals deemed collectible are recorded as rental receivables with no change to timing of rental revenues and deferrals deemed non-collectible and abatements reduce rental revenues in the deferral/abatement period and cause rental revenues to effectively follow a cash basis related to the changes. The accounting elections provided by the FASB mainly apply to the Company's non-residential leases and the majority of the amendments will not require a straight-line adjustment. See Note 8 for additional discussion.

In February 2016, the FASB issued a lease 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 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. 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 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 lease 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 lease 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 lease 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 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 and financial position.

In June 2016, the FASB issued a 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 lease standard from the scope of the credit losses standard. The Company adopted this standard as required effective January 1, 2020 and it did not have a material effect on its consolidated results of operations and financial position.

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.

Other

The Company is the controlling partner in various consolidated partnerships owning 16 properties consisting of 3,399 apartment units having a noncontrolling interest balance of \$4.7 million at December 31, 2020. 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 three properties having a noncontrolling interest deficit balance of \$5.5 million. These three 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, 2020, the Company estimates the value of Noncontrolling Interest distributions for these three properties would have been approximately \$72.8 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 three 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, 2020 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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Common Shares</u>			
Common Shares outstanding at January 1,	371,670,884	369,405,161	368,018,082
<u>Common Shares Issued:</u>			
Conversion of OP Units	122,505	313,940	131,477
Exercise of share options	239,695	1,745,050	1,056,388
Employee Share Purchase Plan (ESPP)	90,196	48,131	75,414
Restricted share grants, net	178,720	158,602	123,800
Common Shares outstanding at December 31,	<u>372,302,000</u>	<u>371,670,884</u>	<u>369,405,161</u>
<u>Units</u>			
Units outstanding at January 1,	13,731,315	13,904,035	13,768,438
Restricted unit grants, net	249,263	141,220	267,074
Conversion of OP Units to Common Shares	(122,505)	(313,940)	(131,477)
Units outstanding at December 31,	<u>13,858,073</u>	<u>13,731,315</u>	<u>13,904,035</u>
Total Common Shares and Units outstanding at December 31,	<u>386,160,073</u>	<u>385,402,199</u>	<u>383,309,196</u>
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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>General and Limited Partner Units</u>			
General and Limited Partner Units outstanding at January 1,	385,402,199	383,309,196	381,786,520
<u>Issued to General Partner:</u>			
Exercise of EQR share options	239,695	1,745,050	1,056,388
EQR’s Employee Share Purchase Plan (ESPP)	90,196	48,131	75,414
EQR’s restricted share grants, net	178,720	158,602	123,800
<u>Issued to Limited Partners:</u>			
Restricted unit grants, net	249,263	141,220	267,074
General and Limited Partner Units outstanding at December 31,	<u>386,160,073</u>	<u>385,402,199</u>	<u>383,309,196</u>
<u>Limited Partner Units</u>			
Limited Partner Units outstanding at January 1,	13,731,315	13,904,035	13,768,438
Limited Partner restricted unit grants, net	249,263	141,220	267,074
Conversion of Limited Partner OP Units to EQR Common Shares	(122,505)	(313,940)	(131,477)
Limited Partner Units outstanding at December 31,	<u>13,858,073</u>	<u>13,731,315</u>	<u>13,904,035</u>
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, 2020 and 2019.

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, 2020 and 2019, the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners have a redemption value of approximately \$339.0 million and \$463.4 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, 2020, 2019 and 2018, respectively (amounts in thousands):

	<i>2020</i>	<i>2019</i>	<i>2018</i>
Balance at January 1,	\$ 463,400	\$ 379,106	\$ 366,955
Change in market value	(125,224)	82,283	13,922
Change in carrying value	775	2,011	(1,771)
Balance at December 31,	<u>\$ 338,951</u>	<u>\$ 463,400</u>	<u>\$ 379,106</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, 2020 and 2019:

	<i>Call Date (1)</i>	<i>Annual Dividend Per Share/Unit (2)</i>	<i>Amounts in thousands</i>	
			<i>December 31, 2020</i>	<i>December 31, 2019</i>
Preferred Shares/Preference Units of beneficial interest, \$0.01 par value; 100,000,000 shares authorized:				
8.29% Series K Cumulative Redeemable Preferred Shares/Preference Units; liquidation value \$50 per share/unit; 745,600 shares/units issued and outstanding as of December 31, 2020 and 2019	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, 2020, 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, 2020 and 2019 (amounts in thousands):

	2020	2019
Land	\$ 5,785,367	\$ 5,936,188
Depreciable property:		
Buildings and improvements	18,464,484	18,904,686
Furniture, fixtures and equipment	1,970,033	1,916,458
In-Place lease intangibles	486,137	497,957
Projects under development:		
Land	23,531	23,531
Construction-in-progress	387,603	158,099
Land held for development:		
Land	46,160	64,460
Construction-in-progress	40,010	32,228
Investment in real estate	27,203,325	27,533,607
Accumulated depreciation	(7,859,657)	(7,276,786)
Investment in real estate, net	<u>\$ 19,343,668</u>	<u>\$ 20,256,821</u>

Acquisitions and Dispositions

During the year ended December 31, 2020, the Company acquired the following from unaffiliated parties (purchase price in thousands):

	Properties	Apartment Units	Purchase Price
Rental Properties – Consolidated (1)	1	158	\$ 48,860
Total	<u>1</u>	<u>158</u>	<u>\$ 48,860</u>

- (1) Purchase price includes an allocation of approximately \$5.5 million to land and \$43.4 million to depreciable property (inclusive of capitalized closing costs).

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

	Properties	Apartment Units	Purchase Price
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, 2020, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Rental Properties – Consolidated	6	2,231	\$ 1,066,861
Land Parcels (two)	—	—	55,510
Total	<u>6</u>	<u>2,231</u>	<u>\$ 1,122,371</u>

The Company recognized a net gain on sales of real estate properties of approximately \$531.8 million and a net gain on sales of land parcels of approximately \$34.2 million on the above sales.

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 sale of land parcels of approximately \$2.0 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.

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 an agreement to dispose the following (sales price and net book value in thousands):

	<u>Properties</u>	<u>Apartment Units</u>	<u>Sales Price</u>	<u>Net Book Value at December 31, 2020</u>
Rental Properties – Consolidated	1	263	\$ 84,250	\$ 17,748
Total	<u>1</u>	<u>263</u>	<u>\$ 84,250</u>	<u>\$ 17,748</u>

The closing of this pending transaction is subject to certain conditions and restrictions; therefore, there can be no assurance that this transaction 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, 2020.

6. Investments in Partially Owned Entities

The Company has 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 16 properties containing 3,399 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.

The Company also has two separate consolidated joint ventures which each own land parcels that are being/will be developed into multifamily rental properties. These joint ventures have been deemed to be VIEs and are consolidated due to the Company being the primary beneficiary.

The consolidated assets and liabilities related to the VIEs discussed above were approximately \$784.1 million and \$224.0 million, respectively, at December 31, 2020 and approximately \$754.7 million and \$323.1 million, respectively, at December 31, 2019.

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, 2020 and 2019 (amounts in thousands except for ownership percentage):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Ownership Percentage</u>
Investments in Unconsolidated Entities:			
Operating Property (VIE) (1)	\$ 38,288	\$ 40,361	33.3%
Real Estate Technology (2)	14,866	12,318	Varies
Other	(372)	(441)	Varies
Investments in Unconsolidated Entities	<u>\$ 52,782</u>	<u>\$ 52,238</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) Represents unconsolidated investments in five separate real estate technology funds/companies.

7. Restricted Deposits

The following table presents the Company's restricted deposits as of December 31, 2020 and 2019 (amounts in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Mortgage escrow deposits:		
Replacement reserves	\$ 9,877	\$ 8,543
Mortgage principal reserves/sinking funds	14,168	9,689
Mortgage escrow deposits	<u>24,045</u>	<u>18,232</u>
Restricted cash:		
Tax-deferred (1031) exchange proceeds	—	14,232
Restricted deposits on real estate investments	307	658
Resident security and utility deposits	31,412	37,140
Other	1,373	984
Restricted cash	<u>33,092</u>	<u>53,014</u>
Restricted deposits	<u>\$ 57,137</u>	<u>\$ 71,246</u>

8. Leases

Lessor Accounting

The Company is the lessor for its residential and non-residential leases and these leases will continue to be accounted for as operating leases under the lease standard as described in Note 2.

For the years ended December 31, 2020 and 2019, approximately 98% and 97%, respectively, 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 utility recoveries, 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 years ended December 31, 2020 and 2019, approximately 2% and 3%, respectively, of the Company's total lease revenue is generated by non-residential leases that are generally for terms ranging between five to ten years. The non-residential leases generally consist of ground floor retail spaces and master-leased parking garages that serve as additional amenities for our residents. The non-residential leases may include lease income related to such items as utility recoveries, 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. Non-residential 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 lease standard.

The following table presents the lease income types relating to lease payments for residential and non-residential leases along with the total other rental income for the years ended December 31, 2020 and 2019 (amounts in thousands):

Income Type	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Residential Leases	Non-Residential Leases	Total	Residential Leases	Non-Residential Leases	Total
Residential and non-residential rent	\$ 2,336,778	\$ 51,663	\$ 2,388,441	\$ 2,414,201	\$ 71,988	\$ 2,486,189
Utility recoveries (RUBS income) (1)	70,699	677	71,376	67,659	917	68,576
Parking rent	38,743	412	39,155	37,557	348	37,905
Storage rent	3,674	84	3,758	3,745	71	3,816
Pet rent	11,457	—	11,457	11,617	—	11,617
Total lease revenue	<u>\$ 2,461,351</u>	<u>\$ 52,836</u>	<u>2,514,187</u>	<u>\$ 2,534,779</u>	<u>\$ 73,324</u>	<u>2,608,103</u>
Parking revenue			22,210			28,272
Other revenue			35,308			64,316
Total other rental income (2)			57,518			92,588
Rental income			<u>\$ 2,571,705</u>			<u>\$ 2,700,691</u>

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

(2) Other rental income is accounted for under the revenue recognition standard.

The economic impact of the pandemic on a subset of our residents and tenants has led to elevated levels of bad debt. We continue to work with our residents and tenants on payment plans and collections and our bad debt allowance policies remain consistent.

The following table presents residential and non-residential accounts receivable and straight-line receivable balances for the Company's properties as of December 31, 2020 and 2019 (amounts in thousands):

Balance Sheet (Other assets):	Residential		Non-Residential	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Resident/tenant accounts receivable balances	\$ 30,856	\$ 4,040	\$ 7,598	\$ 1,766
Allowance for doubtful accounts	(24,021)	(1,190)	(6,527)	(1,412)
Net receivable balances	<u>\$ 6,835</u>	<u>(1) \$ 2,850</u>	<u>\$ 1,071</u>	<u>\$ 354</u>
Straight-line receivable balances	\$ 19,992	\$ 1,841	\$ 13,413	\$ 26,450

(1) The Company held residential security deposits approximating 31.6% of the net receivable balance at December 31, 2020.

The following table presents residential bad debt for the Company's properties for the years ended December 31, 2020 and 2019 (amounts in thousands):

Income Statement (Rental income):	Year Ended December 31,	
	2020	2019
Bad debt, net	\$ 42,505	\$ 12,067
% of rental income	1.7%	0.5%

Due to the impact of COVID-19 and the resulting economic impact on our non-residential tenants, rental revenues declined as a result of a non-cash write-off of non-residential straight-line lease receivables of \$13.2 million during the year ended December 31, 2020. In addition, rental revenues declined by \$7.3 million during the year ended December 31, 2020 as a result of rent payment deferrals/abatements granted to our non-residential tenants.

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, 2020 and 2019 (amounts in thousands):

	2020	2019
Right-of-use assets:		
Corporate office leases (operating)	\$ 39,203	\$ 41,596
Ground leases (finance)	57,584	57,982
Ground leases (operating)	402,500	413,196
Right-of-use assets	<u>\$ 499,287</u>	<u>\$ 512,774</u>
Lease liabilities:		
Corporate office leases (operating)	\$ 40,470	\$ 43,105
Ground leases (finance)	23,350	23,239
Ground leases (operating)	265,310	264,990
Lease liabilities	<u>\$ 329,130</u>	<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). 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.

Additional disclosures

The following tables illustrate the quantitative disclosures for lessees as of and for the years ended December 31, 2020 and 2019 (amounts in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ —	\$ —
Interest on lease liabilities (capitalized)	1,029	225
Operating lease cost:		
Corporate office leases	3,747	3,937
Ground leases	22,102	22,198
Variable lease cost:		
Corporate office leases	1,307	1,489
Ground leases	3,304	3,700
Total lease cost	<u>\$ 31,489</u>	<u>\$ 31,549</u>
	December 31, 2020	December 31, 2019
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Investing cash flows from finance leases (capitalized)	\$ 567	\$ 34,922
Operating cash flows from operating leases:		
Corporate office leases	\$ 5,296	\$ 5,494
Ground leases	\$ 16,552	\$ 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)	18.7 years	19.7 years
Weighted-average remaining lease term – operating leases:		
Corporate office leases	17.4 years	18.1 years
Ground leases	55.3 years	56.2 years
Weighted-average discount rate – finance leases	3.0%	3.0%
Weighted-average discount rate – operating leases:		
Corporate office leases	3.2%	3.2%
Ground leases	5.0%	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, 2020:

	(Payments)/Receipts Due by Year (in thousands)						
	2021	2022	2023	2024	2025	Thereafter	Total
Finance Leases:							
Minimum Rent Payments (a)	\$ (578)	\$ (590)	\$ (601)	\$ (614)	\$ (626)	\$ (33,224)	\$ (36,233)
Operating Leases:							
Minimum Rent Payments (a)	\$ (17,160)	\$ (16,906)	\$ (16,997)	\$ (17,329)	\$ (17,375)	\$ (954,108)	\$ (1,039,875)
Minimum Rent Receipts (b)	\$ 59,430	\$ 54,656	\$ 51,091	\$ 45,166	\$ 38,847	\$ 126,732	\$ 375,922

- (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 non-residential 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, 2020 (amounts in thousands):

	2020
Total minimum rent payments	\$ 1,076,108
Less: Lease discount	746,978
Lease liabilities	<u>\$ 329,130</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, 2020 and 2019 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, 2020 and 2019, respectively (amounts in thousands):

	Mortgage notes payable, net as of December 31, 2019	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, 2020
Fixed Rate Debt:							
Secured – Conventional	\$ 1,574,699	\$ 495,000	(2) \$(160,522)	\$ (7,759)	\$ 988	\$ (1,315)	\$ 1,901,091
Floating Rate Debt:							
Secured – Conventional	7,050	24,204	—	—	—	240	31,494
Secured – Tax Exempt	359,861	—	—	—	1,246	198	361,305
Floating Rate Debt	366,911	24,204	—	—	1,246	438	392,799
Total	<u>\$ 1,941,610</u>	<u>\$ 519,204</u>	<u>\$(160,522)</u>	<u>\$ (7,759)</u>	<u>\$ 2,234</u>	<u>\$ (877)</u>	<u>\$ 2,293,890</u>

- (1) Represents amortization of deferred financing costs, net of debt financing costs.
(2) Obtained a 2.60% fixed rate mortgage loan pool maturing on May 1, 2030.

	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).

The following table summarizes the Company's debt extinguishment costs on mortgages recorded as additional interest expense during the years ended December 31, 2020 and 2019, respectively (amounts in thousands):

Description	2020	2019
Prepayment premiums/penalties	\$ 327	\$ 3,381
Write-offs of unamortized deferred financing costs	63	2,273
Write-offs of unamortized (premiums)/discounts/OCI	(190)	6,153
Total	<u>\$ 200</u>	<u>\$ 11,807</u>

The following table summarizes certain interest rate and maturity date information as of and for the years ended December 31, 2020 and 2019, respectively:

	December 31, 2020	December 31, 2019
Interest Rate Ranges	0.06% - 4.71%	0.10% - 5.29%
Weighted Average Interest Rate	3.33%	3.84%
Maturity Date Ranges	2021-2061	2020-2061

As of both December 31, 2020 and 2019, the Company had \$281.7 million of secured debt (primarily tax-exempt bonds) subject to third-party credit enhancement.

The historical cost, net of accumulated depreciation, of encumbered properties was \$2.9 billion and \$2.7 billion at December 31, 2020 and 2019, respectively.

Notes

The following tables summarize the Company's notes activity for the years ended December 31, 2020 and 2019, respectively (amounts in thousands):

	Notes, net as of December 31, 2019	Proceeds	Lump sum payoffs	Realized/unrealized (gain) loss on derivative instruments	Amortization of premiums/ discounts	Amortization of deferred financing costs, net (1)	Notes, net as of December 31, 2020
Fixed Rate Debt:							
Unsecured – Public	\$ 6,077,513	\$ —	\$(750,000)	\$ —	\$ 2,997	\$ 5,026	\$ 5,335,536

(1) Represents amortization of deferred financing costs, net of debt financing costs.

	Notes, net as of December 31, 2018	Proceeds	Lump sum payoffs	Realized/unrealized (gain) loss on derivative instruments	Amortization of premiums/ discounts	Amortization of deferred financing costs, net (1)	Notes, net as of December 31, 2019
Fixed Rate Debt:							
Unsecured – Public	\$ 5,485,884	\$ 1,194,468	\$(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.

The following table summarizes the Company's debt extinguishment costs on notes recorded as additional interest expense during the years ended December 31, 2020 and 2019, respectively (amounts in thousands):

Description	2020	2019
Prepayment premiums/penalties	\$ 25,823	\$ 10,266
Write-offs of unamortized deferred financing costs	571	287
Write-offs of unamortized (premiums)/discounts/OCI	12,698	1,043
Total	<u>\$ 39,092</u>	<u>\$ 11,596</u>

The following table summarizes certain interest rate and maturity date information as of and for the years ended December 31, 2020 and 2019, respectively:

	December 31, 2020	December 31, 2019
Interest Rate Ranges	2.50% - 7.57%	2.50% - 7.57%
Weighted Average Interest Rate	4.03%	4.21%
Maturity Date Ranges	2023-2047	2021-2047

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, 2020 and 2019.

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 an annual facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating. The weighted average interest rates on the revolving credit facility were 1.47% and 3.12% for the years ended December 31, 2020 and 2019, respectively.

On November 4, 2019, the Company increased the maximum aggregate amount outstanding for its 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 1.72% and 2.42% for the years ended December 31, 2020 and 2019, respectively, and a weighted average maturity of 45 days and 40 days as of December 31, 2020 and 2019, respectively. The weighted average amount outstanding for the years ended December 31, 2020 and 2019 was approximately \$276.6 million and \$434.4 million, 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 along with certain other obligations. The following table presents the availability on the Company's unsecured revolving credit facility as of December 31, 2020 and 2019 (amounts in thousands):

	December 31, 2020	December 31, 2019
Unsecured revolving credit facility commitment	\$ 2,500,000	\$ 2,500,000
Commercial paper balance outstanding	(415,000)	(1,000,000)
Unsecured revolving credit facility balance outstanding	—	(20,000)
Other restricted amounts	(100,949)	(100,929)
Unsecured revolving credit facility availability	<u>\$ 1,984,051</u>	<u>\$ 1,379,071</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, 2020 and 2019, respectively (amounts in thousands):

Description	2020	2019
Write-offs of unamortized deferred financing costs	\$ —	\$ 588
Total	<u>\$ —</u>	<u>\$ 588</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, 2020 (amounts in thousands):

Year	Total
2021 (1)	\$ 450,665
2022	296,040
2023	1,329,088
2024	6,100
2025	458,200
Thereafter	5,586,810
Subtotal	8,126,903
Deferred Financing Costs and Unamortized (Discount)	(82,647)
Total	<u>\$ 8,044,256</u>

(1) Includes \$415.0 million 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). The following table summarizes the inputs to the valuations for each type of fair value measurement:

Fair Value Measurement Type	Valuation Inputs
Employee holdings (other than Common Shares) within the supplemental executive retirement plan (the "SERP")	Quoted market prices for identical assets. These holdings are included in other assets and other liabilities on the consolidated balance sheets.
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners	Quoted market price of Common Shares.
Mortgage notes payable and private unsecured debt (including its commercial paper and line of credit, if applicable)	Indicative rates provided by lenders of similar loans.
Public unsecured notes	Quoted market prices for each underlying issuance.

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, 2020 and 2019, respectively (amounts in thousands):

	December 31, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value (Level 2)	Carrying Value	Estimated Fair Value (Level 2)
Mortgage notes payable, net	\$ 2,293,890	\$ 2,313,263	\$ 1,941,610	\$ 1,930,710
Unsecured debt, net	5,750,366	6,686,612	7,095,346	7,677,289
Total debt, net	<u>\$ 8,044,256</u>	<u>\$ 8,999,875</u>	<u>\$ 9,036,956</u>	<u>\$ 9,607,999</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, 2020 and 2019, respectively (amounts in thousands):

Description	Balance Sheet Location	12/31/2020	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	\$ 160,293	\$ 160,293	\$ —	\$ —
<i>Liabilities</i>					
Supplemental Executive Retirement Plan	Other Liabilities	\$ 160,293	\$ 160,293	\$ —	\$ —
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners					
	Mezzanine	\$ 338,951	\$ —	\$ 338,951	\$ —

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)	
Assets						
Supplemental Executive Retirement Plan	Other Assets	\$ 151,889	\$ 151,889	\$ —	\$ —	
Liabilities						
Supplemental Executive Retirement Plan	Other Liabilities	\$ 151,889	\$ 151,889	\$ —	\$ —	
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners						
	Mezzanine	\$ 463,400	\$ —	\$ 463,400	\$ —	

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, 2020, 2019 and 2018, respectively (amounts in thousands):

December 31, 2020 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income on Hedged Item
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Interest Rate Swaps	N/A	\$ —	N/A	N/A	\$ —
Total		<u>\$ —</u>			<u>\$ —</u>

December 31, 2019 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income 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 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income 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>

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, 2020, 2019 and 2018, respectively (amounts in thousands):

December 31, 2020 Type of Cash Flow Hedge	Effective Portion		
	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income
Derivatives designated as hedging instruments:			
Interest Rate Contracts:			
Forward Starting Swaps	\$ (1,190)	Interest expense	\$ (35,087)
Total	<u>\$ (1,190)</u>		<u>\$ (35,087)</u>

December 31, 2019 Type of Cash Flow Hedge	Effective Portion		
	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated 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 Type of Cash Flow Hedge	Effective Portion			Ineffective Portion	
	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Reclassified from Accumulated 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>

As of December 31, 2020 and 2019, there were approximately \$43.7 million and \$77.6 million in deferred losses, net, included in accumulated other comprehensive income (loss), respectively, related to derivative instruments, of which an estimated \$10.2 million may be recognized as additional interest expense during the twelve months ending December 31, 2021.

In April 2020, the Company paid approximately \$1.2 million to settle two forward starting swaps in conjunction with the issuance of \$495.0 million of ten-year secured conventional mortgage notes. The entire \$1.2 million was initially deferred as a component of accumulated other comprehensive income (loss) and will be recognized as an increase to interest expense over the first five years of the mortgage notes.

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.

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,		
	2020	2019	2018
Numerator for net income per share – basic:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Allocation to Noncontrolling Interests – Operating Partnership	(34,010)	(36,034)	(24,939)
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Preferred distributions	(3,090)	(3,090)	(3,090)
Numerator for net income per share – basic	<u>\$ 910,546</u>	<u>\$ 967,287</u>	<u>\$ 654,445</u>
Numerator for net income per share – diluted:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Preferred distributions	(3,090)	(3,090)	(3,090)
Numerator for net income per share – diluted	<u>\$ 944,556</u>	<u>\$ 1,003,321</u>	<u>\$ 679,384</u>
Denominator for net income per share – basic and diluted:			
Denominator for net income per share – basic	371,791	370,461	368,052
Effect of dilutive securities:			
OP Units	13,003	12,907	12,869
Long-term compensation shares/units	1,080	2,965	2,774
Denominator for net income per share – diluted	<u>385,874</u>	<u>386,333</u>	<u>383,695</u>
Net income per share – basic	<u>\$ 2.45</u>	<u>\$ 2.61</u>	<u>\$ 1.78</u>
Net income per share – diluted	<u>\$ 2.45</u>	<u>\$ 2.60</u>	<u>\$ 1.77</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,		
	2020	2019	2018
Numerator for net income per Unit – basic and diluted:			
Net income	\$ 962,501	\$ 1,009,708	\$ 685,192
Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties	(14,855)	(3,297)	(2,718)
Allocation to Preference Units	(3,090)	(3,090)	(3,090)
Numerator for net income per Unit – basic and diluted	<u>\$ 944,556</u>	<u>\$ 1,003,321</u>	<u>\$ 679,384</u>
Denominator for net income per Unit – basic and diluted:			
Denominator for net income per Unit – basic	384,794	383,368	380,921
Effect of dilutive securities:			
Dilution for Units issuable upon assumed exercise/vesting of the Company's long-term compensation shares/units	1,080	2,965	2,774
Denominator for net income per Unit – diluted	<u>385,874</u>	<u>386,333</u>	<u>383,695</u>
Net income per Unit – basic	<u>\$ 2.45</u>	<u>\$ 2.61</u>	<u>\$ 1.78</u>
Net income per Unit – diluted	<u>\$ 2.45</u>	<u>\$ 2.60</u>	<u>\$ 1.77</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.

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, 2020, 10,512,390 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
Overview	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).
Grant/Exercise Price	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).
Vesting Period	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.
Expiration	Ten years from the grant date.	Not applicable.	Ten years from the grant date (2).
Upon Employee Termination	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.

Valuation Method of Share Options

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 Options was estimated at the time the Options were granted using the Black-Scholes option pricing model with the primary grant in each year having the following weighted average assumptions:

	2020	2019	2018
Expected volatility (1)	15.2%	16.3%	14.8%
Expected life (2)	5 years	5 years	5 years
Expected dividend yield (3)	3.04%	3.10%	3.09%
Risk-free interest rate (4)	1.32%	2.43%	2.52%
Option valuation per share	\$ 7.23	\$ 8.06	\$ 6.15

- (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 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 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.

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. No payout would be made for any return below 50% of the target performance metric. 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 while 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. If employment is terminated prior to vesting, the restricted shares and restricted units are generally canceled.

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.

The grant date fair value of the TSR portion of the LTI awards is estimated using a multifactor Monte Carlo model to determine share prices for an absolute award for which the payout of the award only depends on EQR's TSR and a set of relative awards for which the payout of the award depends on the spread of EQR's TSR to the TSR of two indices: (a) the FTSE Nareit Apartment Index; and (b) the FTSE Nareit Equity Index. The grant date fair value of the Normalized FFO portion of the LTI awards is estimated using the closing price of EQR Common Shares on the grant date for the restricted shares and a discounted closing price of EQR Common Shares on the grant date for the restricted units to reflect the "book-up" and liquidity risk inherent in the units. The individual prices determined above are then weighted to arrive at the final values for each restricted share/unit as follows:

	2020	2019	2018
Weighted average fair value per restricted share	\$ 75.89	\$ 65.36	\$ 63.86
Weighted average fair value per restricted unit	\$ 72.69	\$ 63.12	\$ 62.20

The valuation method and assumptions are the same as those the Company used in accounting for restricted share/unit expense in its consolidated financial statements. The Monte Carlo valuation model is only one method of valuing awards. Because the Company's restricted shares/units have characteristics significantly different from those of traded shares/units, and because changes in the subjective input assumptions can materially affect the fair value estimate, the actual value of the restricted shares/units to the recipient may be significantly different.

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
Eligibility	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.
Effect on unvested restricted shares, restricted units and Options	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.
Effect on LTI Plan	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, 2020, 2019 and 2018.

Year Ended December 31, 2020					
	Compensation Expense	Compensation Capitalized	Restricted Units/Options In-Lieu of Bonus (1)	Compensation Equity	Dividends Incurred
Restricted shares (2)	\$ 10,053	\$ 1,172	\$ —	\$ 11,225	\$ 1,172
Restricted units (2)	10,103	80	1,743	11,926	1,855
Options	2,156	193	—	2,349	—
ESPP discount	862	82	—	944	—
Total	<u>\$ 23,174</u>	<u>\$ 1,527</u>	<u>\$ 1,743</u>	<u>\$ 26,444</u>	<u>\$ 3,027</u>

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>

- (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, 2020 is \$10.5 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 1.27 years.

The table below summarizes the Award activity of the Share Incentive Plans for the three years ended December 31, 2020, 2019 and 2018:

	Common Shares Subject to Options	Weighted Average Exercise Price per Option	Restricted Shares	Weighted Average Fair Value per Restricted Share	Restricted Units	Weighted Average Fair Value per Restricted Unit
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	5,567,544	\$ 55.52	306,706	\$ 66.15	858,284	\$ 64.95
Awards granted (1) (5)	317,731	\$ 76.26	179,911	\$ 77.44	249,263	\$ 72.00
Awards exercised/vested (2) (3) (4)	(239,695)	\$ 50.31	(131,792)	\$ 66.32	(227,747)	\$ 68.47
Awards forfeited	(1,344)	\$ 72.69	(1,191)	\$ 73.45	—	\$ —
Awards expired	(1,484)	\$ 47.18	—	\$ —	—	\$ —
Balance at December 31, 2020	<u>5,642,752</u>	<u>\$ 56.91</u>	<u>353,634</u>	<u>\$ 71.81</u>	<u>879,800</u>	<u>\$ 66.78</u>

- (1) The weighted average grant date fair value for Options granted during the years ended December 31, 2020, 2019 and 2018 was \$6.74 per share, \$8.05 per share and \$6.17 per share, respectively.
- (2) The aggregate intrinsic value of Options exercised during the years ended December 31, 2020, 2019 and 2018 was \$7.6 million, \$58.1 million and \$42.9 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, 2020, 2019 and 2018 was \$10.6 million, \$11.1 million and \$11.5 million, respectively.
- (4) The fair value of restricted units vested during the years ended December 31, 2020, 2019 and 2018 was \$18.7 million, \$29.1 million and \$1.8 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, 2020 (aggregate intrinsic value is in thousands):

	Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value (1)
Options Outstanding	5,642,752	4.64	\$ 56.91	\$ 26,881
Options Exercisable	4,985,668	4.16	\$ 55.12	\$ 26,804
Vested and expected to vest	648,552	8.32	\$ 70.40	\$ 77

- (1) The aggregate intrinsic values were calculated as the excess, if any, between the Company's closing share price of \$59.28 per share on December 31, 2020 and the strike price of the underlying awards.

As of December 31, 2019 and 2018, 4,750,481 Options (with a weighted average exercise price of \$54.13) and 5,328,020 Options (with a weighted average exercise price of \$49.57) 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 2,624,136 Common Shares remained available for purchase at December 31, 2020. 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,		
	2020	2019	2018
Shares issued	90,196	48,131	75,414
Issuance price ranges	\$46.23 – \$63.84	\$59.56 – \$72.91	\$47.80 – \$57.09
Issuance proceeds	\$4,508	\$3,116	\$3,879

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 \$5.2 million, \$5.0 million and \$4.9 million for the years ended December 31, 2020, 2019 and 2018, 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 4,650,334 Common Shares available for issuance under the 2014 DRIP at December 31, 2020.

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, 2020, 2019 and 2018 were approximately \$2.1 million, \$2.6 million and \$2.5 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 laws, including, but not limited to, rent regulations and 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, whether related to COVID-19 or otherwise, 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, 2020, 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 \$191.7 million (inclusive of applicable construction mortgage and joint venture partner obligations) and estimated completion dates ranging through September 30, 2021. The Company completed and stabilized two projects during the year ended December 31, 2020.

As of December 31, 2020, the Company has two joint venture agreements with third-party partners for the consolidated development of multifamily rental properties, one of which is currently under construction as noted above. The development commitment to fund the project under construction is included in the development funding totals above for the one joint venture project where construction has started. 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, 2020, 2019 and 2018, the Company recognized compensation expense of \$0.5 million, \$0.4 million and \$0.3 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, 2020:

	(Payments)/Receipts Due by Year (in thousands)						Total
	2021	2022	2023	2024	2025	Thereafter	
Other Long-Term Liabilities:							
Deferred Compensation (1)	\$ (769)	\$ (1,130)	\$ (1,005)	\$ (723)	\$ (723)	\$ (3,976)	\$ (8,326)

(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. While the Company does maintain a non-residential presence, it accounts for approximately 2.7% of total revenues and is designed as an amenity for our residential residents. The chief operating decision maker evaluates the performance of each property on a consolidated residential and non-residential basis. The Company's geographic consolidated same store operating segments represent its reportable segments.

The Company's 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, respectively (amounts in thousands):

	Year Ended December 31,		
	2020	2019	2018
Rental income	\$ 2,571,705	\$ 2,700,691	\$ 2,577,681
Property and maintenance expense	(440,998)	(446,845)	(429,335)
Real estate taxes and insurance expense	(381,562)	(366,139)	(357,814)
Total operating expenses	(822,560)	(812,984)	(787,149)
Net operating income	<u>\$ 1,749,145</u>	<u>\$ 1,887,707</u>	<u>\$ 1,790,532</u>

The following tables present NOI for each segment from our rental real estate for the years ended December 31, 2020, 2019 and 2018, respectively, as well as total assets and capital expenditures at December 31, 2020 and 2019, respectively (amounts in thousands):

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Rental Income	Operating Expenses	NOI	Rental Income	Operating Expenses	NOI	Rental Income	Operating Expenses	NOI
Same store (1)									
Los Angeles	\$ 468,450	\$ 145,342	\$ 323,108	\$ 485,084	\$ 144,314	\$ 340,770	\$ 451,592	\$ 129,455	\$ 322,137
Orange County	105,236	24,545	80,691	105,087	24,359	80,728	101,198	24,468	76,730
San Diego	74,737	18,176	56,561	73,698	17,889	55,809	91,971	24,024	67,947
Subtotal - Southern California	648,423	188,063	460,360	663,869	186,562	477,307	644,761	177,947	466,814
San Francisco	451,724	119,183	332,541	473,102	115,702	357,400	463,492	112,331	351,161
Washington D.C.	389,533	120,533	269,000	394,171	119,419	274,752	403,761	123,345	280,416
New York	426,016	198,228	227,788	464,270	191,514	272,756	444,112	178,055	266,057
Seattle	245,559	71,003	174,556	252,311	68,717	183,594	200,222	55,871	144,351
Boston	240,158	71,611	168,547	253,297	70,875	182,422	218,778	60,409	158,369
Other Markets	17,605	4,858	12,747	18,215	4,713	13,502	1,940	658	1,282
Total same store	2,419,018	773,479	1,645,539	2,519,235	757,502	1,761,733	2,377,066	708,616	1,668,450
Non-same store/other (2) (3)									
Non-same store	116,103	35,952	80,151	58,751	17,702	41,049	103,688	36,874	66,814
Other (3)	36,584	13,129	23,455	122,705	37,780	84,925	96,927	41,659	55,268
Total non-same store/other	152,687	49,081	103,606	181,456	55,482	125,974	200,615	78,533	122,082
Totals	<u>\$ 2,571,705</u>	<u>\$ 822,560</u>	<u>\$ 1,749,145</u>	<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>

- (1) For the years ended December 31, 2020 and 2019, same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2019, less properties subsequently sold, which represented 73,585 apartment units. For the year ended December 31, 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.
- (2) For the years ended December 31, 2020 and 2019, non-same store primarily includes properties acquired after January 1, 2019, plus any properties in lease-up and not stabilized as of January 1, 2019. For the year ended December 31, 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.
- (3) Other includes development, other corporate operations and operations prior to disposition for properties sold.

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Total Assets	Capital Expenditures	Total Assets	Capital Expenditures
Same store (1)				
Los Angeles	\$ 3,007,621	\$ 22,817	\$ 3,110,659	\$ 32,611
Orange County	389,007	7,260	404,545	9,276
San Diego	242,429	3,430	252,051	3,947
Subtotal - Southern California	3,639,057	33,507	3,767,255	45,834
San Francisco	3,233,901	18,983	3,345,882	25,925
Washington D.C.	3,066,702	23,626	3,174,721	22,409
New York	3,950,286	25,609	4,004,078	26,976
Seattle	1,802,952	11,372	1,871,232	22,023
Boston	1,758,665	18,367	1,822,373	27,267
Denver	247,133	817	255,974	701
Total same store	17,698,696	132,281	18,241,515	171,135
Non-same store/other (2) (3)				
Non-same store	1,664,892	2,627	1,681,367	1,864
Other (3)	923,303	1,071	1,249,887	5,424
Total non-same store/other	2,588,195	3,698	2,931,254	7,288
Totals	<u>\$ 20,286,891</u>	<u>\$ 135,979</u>	<u>\$ 21,172,769</u>	<u>\$ 178,423</u>

- (1) Same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2019, less properties subsequently sold, which represented 73,585 apartment units.
- (2) Non-same store primarily includes properties acquired after January 1, 2019, plus any properties in lease-up and not stabilized as of January 1, 2019.
- (3) Other includes development, other corporate operations and capital expenditures for properties sold.

18. Subsequent Events

There have been no material subsequent events occurring since December 31, 2020.

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
Overall Summary
December 31, 2020

	Properties	Apartment Units	Investment in Real Estate, Gross	Accumulated Depreciation	Investment in Real Estate, Net	Encumbrances (1)
Wholly Owned Unencumbered	246	64,363	\$ 22,528,561,227	\$ (6,521,859,521)	\$ 16,006,701,706	\$ —
Wholly Owned Encumbered	42	10,127	3,704,582,050	(1,032,587,859)	2,671,994,191	2,088,144,904
Wholly Owned Properties	288	74,490	26,233,143,277	(7,554,447,380)	18,678,695,897	2,088,144,904
Partially Owned Unencumbered	14	2,699	672,990,027	(231,543,640)	441,446,387	—
Partially Owned Encumbered	2	700	297,191,796	(73,666,183)	223,525,613	205,744,819
Partially Owned Properties	16	3,399	970,181,823	(305,209,823)	664,972,000	205,744,819
Total Unencumbered Properties	260	67,062	23,201,551,254	(6,753,403,161)	16,448,148,093	—
Total Encumbered Properties	44	10,827	4,001,773,846	(1,106,254,042)	2,895,519,804	2,293,889,723
Total Consolidated Investment in Real Estate	304	77,889	\$ 27,203,325,100	\$ (7,859,657,203)	\$ 19,343,667,897	\$ 2,293,889,723

(1) See attached Encumbrances Reconciliation.

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
Encumbrances Reconciliation
December 31, 2020

Portfolio/Entity Encumbrances	Number of Properties Encumbered by	See Properties With Note:	Amount
Archstone Master Property Holdings LLC	13	H	\$ 798,691,865
Portfolio/Entity Encumbrances	13		798,691,865
Individual Property Encumbrances			1,495,197,858
Total Encumbrances per Financial Statements			<u><u>\$ 2,293,889,723</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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Balance, beginning of year	\$ 27,533,607	\$ 26,511,022	\$ 26,026,896
Acquisitions and development	298,847	1,704,320	855,254
Improvements	154,433	180,944	192,661
Dispositions and other	(783,562)	(862,679)	(563,789)
Balance, end of year	<u>\$ 27,203,325</u>	<u>\$ 27,533,607</u>	<u>\$ 26,511,022</u>

The changes in accumulated depreciation for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Balance, beginning of year	\$ 7,276,786	\$ 6,696,281	\$ 6,040,378
Depreciation	820,832	831,083	785,725
Dispositions and other	(237,961)	(250,578)	(129,822)
Balance, end of year	<u>\$ 7,859,657</u>	<u>\$ 7,276,786</u>	<u>\$ 6,696,281</u>

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2020

Description	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition (Improvements, net) (E)			Gross Amount Carried at Close of Period 12/31/20			Investment in Real Estate, Net at 12/31/20		
	Apartment Name	Location	Non-Residential Components	Date of Construction	Apartment Units	Land	Building & Fixtures	Land	Building & Fixtures (A)	Total (B)	Accumulated Depreciation (C)	Encumbrances
Wholly Owned Unencumbered:												
100 K Apartments (fla 100K Street)		Washington, D.C.	—	2018	222	\$ 15,600,000	\$ 70,296,069	\$ 15,600,000	\$ 70,314,553	\$ 85,914,553	\$ (6,076,767)	\$ 79,837,786
140 Riverside Boulevard		New York, NY	G	2003	354	103,539,100	94,082,725	103,539,100	104,900,083	208,439,183	(56,324,733)	152,114,450
160 Riverside Boulevard		New York, NY	G	2001	455	139,933,500	190,964,745	139,933,500	209,099,938	349,033,438	(112,149,211)	236,884,227
170 Amsterdam		New York, NY	G	2015	236	—	734,040	—	112,830,995	112,830,995	(25,078,672)	87,752,323
175 Kent		Brooklyn, NY	G	2011	113	22,037,831	53,962,169	22,037,831	56,438,781	78,476,612	(20,147,633)	58,328,979
180 Montague (fla Brooklyn Heights)		Brooklyn, NY	G	2000	193	32,400,000	92,675,228	32,400,000	98,021,713	130,421,713	(30,697,551)	99,724,162
180 Riverside Boulevard		New York, NY	G	1998	516	144,968,250	138,346,681	144,968,250	154,940,126	299,908,376	(83,930,689)	215,977,687
1210 Mass		Washington, D.C.	G	2004	144	9,213,512	36,559,189	9,213,512	39,781,482	48,994,994	(21,574,097)	27,420,897
1401 Joyce on Pentagon Row		Arlington, VA	—	2004	326	9,780,000	89,668,165	9,780,000	95,304,528	105,084,528	(41,418,326)	63,666,202
1500 Mass Ave		Washington, D.C.	G	1951	556	54,438,298	40,361,702	54,638,298	57,047,335	111,685,633	(31,601,970)	80,083,663
1800 Oak (fla Rosslyn)		Arlington, VA	G	2003	314	31,400,000	109,005,734	31,400,000	117,918,248	149,318,248	(37,308,243)	112,010,005
2201 Pershing Drive		Arlington, VA	G	2012	188	11,321,198	49,674,175	11,321,198	52,472,364	63,793,562	(17,223,799)	46,569,763
2400 M St		Washington, D.C.	G	2000	219	21,900,000	78,724,663	21,900,000	84,013,602	105,913,602	(26,463,239)	79,450,363
315 on A		Boston, MA	G	2006	359	30,006,593	114,013,785	30,006,593	118,793,269	148,799,862	(61,688,804)	87,111,058
340 Fremont (fla Rincón Hill)		San Francisco, CA	G	2013	202	14,450,070	115,824,930	14,450,070	117,267,928	131,717,998	(27,148,732)	104,569,266
341 Nevins		Brooklyn, NY	—	2016	348	42,000,000	248,608,702	42,000,000	248,975,278	290,975,278	(43,051,114)	247,924,164
3003 Van Ness (fla Van Ness)		Washington, D.C.	—	1970	625	56,300,000	141,191,580	56,300,000	149,619,481	205,919,481	(49,200,506)	156,718,975
425 Mass		Washington, D.C.	G	2009	559	28,150,000	138,600,000	28,150,000	143,917,169	172,067,169	(58,212,092)	113,855,077
455 Eye Street		Washington, D.C.	G	2017	174	11,941,407	61,418,689	11,941,407	61,478,229	73,419,636	(8,480,027)	64,939,609
4th and Hill		Los Angeles, CA	—	(F)	—	13,131,456	18,548,300	13,131,456	18,548,300	31,679,756	—	31,679,756
55 West Fifth I & II (fla Townhouse Plaza and Gardens)		San Mateo, CA	—	1964/1972	241	21,041,710	71,931,323	21,041,710	86,290,916	107,332,626	(32,617,071)	74,715,555
600 Washington		New York, NY	G	2004	135	32,852,000	43,140,551	32,852,000	45,581,090	78,433,090	(23,873,446)	54,559,644
660 Washington (fla Boston Common)		Boston, MA	G	2006	420	106,100,000	166,311,679	106,100,000	173,943,651	280,043,651	(52,935,820)	227,107,831
70 Greene		Jersey City, NJ	G	2010	480	28,108,899	236,763,553	28,108,899	240,658,323	268,767,222	(90,074,628)	178,692,594
71 Broadway		New York, NY	G	1997	238	22,611,600	77,492,171	22,611,600	96,062,789	118,674,389	(55,283,708)	63,390,681
77 Bluxome		San Francisco, CA	—	2007	102	5,249,124	18,609,876	5,249,124	19,108,813	24,357,937	(7,020,181)	17,337,756
77 Park Avenue (fla Hoboken)		Hoboken, NJ	G	2000	301	27,900,000	168,992,440	27,900,000	177,830,392	205,730,392	(54,327,929)	151,402,463
777 Sixth		New York, NY	G	2002	294	65,352,706	65,747,294	65,352,706	71,495,700	136,848,406	(33,061,181)	103,787,225
88 Hillside		Daly City, CA	G	2011	95	7,786,800	31,587,325	7,786,800	35,029,340	42,816,140	(12,829,331)	29,986,809
855 Brannan		San Francisco, CA	G	2018	449	41,363,921	132,534	41,363,921	282,266,528	323,630,449	(34,706,782)	288,923,667
929 Mass (fla 929 House)		Cambridge, MA	G	1975	127	3,252,993	21,745,595	3,252,993	30,177,820	33,430,813	(21,091,399)	12,339,414
Academy Village		North Hollywood, CA	—	1989	248	25,000,000	23,593,194	25,000,000	34,749,770	59,749,770	(21,580,086)	38,169,684
Acappella		Pasadena, CA	—	2002	143	5,839,548	29,360,452	5,839,548	31,780,279	37,619,827	(13,423,512)	24,196,315
Acton Courtyard		Berkley, CA	G	2003	71	5,550,000	15,785,509	445,554	16,231,063	21,781,063	(8,147,133)	13,633,930
Alban Towers		Washington, D.C.	—	1934	229	18,900,000	89,794,201	18,900,000	96,990,080	115,890,080	(29,449,847)	86,440,233
Alborda		Fremont, CA	—	1999	442	24,310,000	59,214,129	24,310,000	68,951,423	93,261,423	(47,184,982)	46,076,441
Alcott Apartments (fla West End Tower)		Boston, MA	G	(F)	—	10,424,000	257,358,529	10,424,000	257,358,529	267,782,529	—	267,782,529
Altitude (fla Village at Howard Hughes, The (Lots 1 & 2))		Los Angeles, CA	—	2016	545	43,783,485	150,235,105	43,783,485	150,847,508	194,630,993	(26,754,900)	167,876,093
Alton, The (fla Millikan)		Irvine, CA	—	2017	344	11,049,027	96,524,128	11,049,027	96,767,972	107,816,999	(15,320,884)	92,496,115
Arbor Terrace		Sunnyvale, CA	—	1979	175	9,057,300	18,483,642	9,057,300	30,450,606	39,507,906	(19,584,926)	19,922,980
Archels		Sunnyvale, CA	—	1974	410	26,650,000	62,850,000	26,650,000	66,129,238	92,779,238	(27,016,180)	65,763,058

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				Land	Building & Fixtures	Building & Fixtures	Land	Land	Building & Fixtures (A)	Total (B)	Accumulated Depreciation (C)	Encumbrances
Artisan on Second	—	2008	118	8,000,400	36,074,600	1,298,143	8,000,400	8,000,400	37,372,743	45,373,143	(14,173,055)	31,200,088
Artistry Emeryville (Ika Emeryville)	—	1994	267	12,300,000	61,466,267	7,368,364	12,300,000	12,300,000	68,834,631	81,134,631	(23,980,609)	57,154,022
Atelier	G	2015	120	32,400,680	47,135,432	515,334	32,401,680	32,401,680	47,650,766	80,052,446	(10,219,483)	69,832,963
Avenue Two	—	1972	123	7,995,000	18,005,000	2,509,228	7,995,000	7,995,000	20,514,228	28,509,228	(8,409,710)	20,099,518
Axis at Shady Grove	—	2016	366	14,745,774	90,503,831	240,588	14,745,774	90,744,419	90,744,419	105,490,193	(11,084,271)	94,405,922
Azure (Ika Mission Bay-Block 13)	—	2015	273	32,855,115	153,567,641	479,066	32,855,115	154,046,707	186,901,822	30,930,604	(30,930,604)	155,971,218
Bay Hill	—	2002	160	7,600,000	27,437,239	4,043,249	7,600,000	31,480,488	39,080,488	39,080,488	(17,947,925)	21,132,563
Beatrice, The	—	2010	302	114,351,405	165,648,595	2,437,470	114,351,405	168,086,065	282,437,470	56,957,402	(56,957,402)	225,480,068
Bella Vista I, II, III Combined	—	2003-2007	579	31,682,754	121,095,786	11,255,581	31,682,754	132,351,367	164,034,121	68,433,638	(68,433,638)	95,600,483
Belle Arts Condominium Homes, LLC	—	2000	1	63,158	236,157	2,098	63,158	238,255	301,413	(99,931)	201,482	—
Belle Fontaine	—	2003	102	9,098,808	28,701,192	2,356,766	9,098,808	31,057,958	40,156,766	(1,041,933)	29,114,833	—
Breakwater at Marina Del Rey	—	1964-1969	224	—	73,189,262	2,420,327	—	75,609,589	75,609,589	(23,201,234)	50,408,355	—
Briarwood (CA)	—	1985	192	9,991,500	22,247,278	4,418,254	9,991,500	26,665,532	36,657,032	(20,063,847)	16,593,185	—
Brode, The	—	2016	312	8,639,904	79,254,618	685,818	8,639,904	79,940,436	88,580,340	(8,800,355)	79,779,985	—
Brooklyn, The (Ika 111 Lawrence)	G	2010	490	40,099,922	221,438,631	5,139,174	40,099,922	226,577,805	266,677,727	(77,766,873)	188,910,854	—
C on Pico	—	2014	94	17,125,766	28,074,234	607,130	17,125,766	28,681,364	45,807,130	(6,042,014)	39,765,116	—
Carlyle Mill	—	2002	317	10,000,000	51,367,913	9,482,880	10,000,000	60,850,793	70,850,793	(37,283,170)	33,567,623	—
Carnel Terrace	—	1988-1989	384	2,288,300	20,596,281	12,821,204	2,288,300	33,417,485	35,705,785	(29,568,634)	6,137,151	—
Cascade	G	2017	477	23,751,564	149,384,842	58,556	23,751,564	149,443,398	173,194,962	(20,377,508)	152,817,454	—
Centennial (Ika Centennial Court & Centennial Tower)	G	1991/2001	408	9,700,000	70,080,378	14,204,709	9,700,000	84,285,087	93,985,087	(47,446,620)	46,538,467	—
Centre Club Combined	—	1994 & 2002	412	7,456,000	33,014,789	9,778,429	7,456,000	42,793,218	50,229,218	(28,483,810)	21,745,408	—
Chelsea Square	G	1991	113	3,397,100	9,289,074	3,046,308	3,397,100	12,335,382	15,732,482	(9,272,305)	6,460,177	—
Chloe on Madison (Ika 1401 E. Madison)	G	2019	137	10,401,958	53,750,777	2,916	10,401,958	53,753,693	64,155,651	(2,655,541)	61,500,110	—
Chloe on Union (Ika Chloe)	G	2010	117	14,835,571	39,359,650	2,872,330	14,835,571	42,231,980	57,067,551	(6,417,475)	50,650,076	—
Church Corner	G	1987	85	5,220,000	16,744,643	3,414,899	5,220,000	20,159,542	25,379,542	(11,781,658)	13,597,884	—
City Gate at Cupertino (Ika Cupertino)	—	1998	311	40,400,000	95,937,046	7,718,239	40,400,000	103,655,285	144,055,285	(33,293,690)	110,761,595	—
City Square Bellevue (Ika Bellevue)	G	1998	191	15,100,000	41,876,257	3,956,888	15,100,000	45,833,145	60,933,145	(15,186,445)	45,746,700	—
Clarendon, The	G	2005	292	30,400,340	103,824,660	2,799,573	30,400,340	106,624,233	137,024,573	(40,439,940)	96,584,633	—
Cleo, The	—	1989	92	6,615,467	14,829,335	4,278,181	6,615,467	19,107,516	25,722,983	(10,359,000)	15,363,983	—
Connecticut Heights	—	1974	518	27,600,000	114,002,295	10,672,491	27,600,000	124,674,786	152,274,786	(38,864,851)	113,409,935	—
Concannon House at DuPont Circle (Ika DuPont Circle)	G	1961	138	13,500,000	26,913,113	4,106,014	13,500,000	31,019,127	44,519,127	(10,154,028)	34,365,099	—
Courthouse Plaza	G	1990	396	—	87,386,024	6,926,335	—	94,312,359	94,312,359	(31,836,593)	62,475,766	—
Creekside (San Mateo)	—	1985	192	9,606,600	21,193,232	5,528,464	9,606,600	26,721,696	36,328,296	(19,983,009)	16,345,287	—
Cronins Landing	G	1998	281	32,300,000	85,119,324	12,705,880	32,300,000	97,825,204	130,125,204	(31,367,886)	98,757,318	—
Crystal Place	—	1986	181	17,200,000	47,918,975	4,101,843	17,200,000	52,020,818	69,220,818	(17,674,647)	51,546,171	—
Dalton, The	G	2018	270	22,947,777	95,334,754	95,439	22,947,777	95,430,193	118,377,970	(7,103,749)	111,274,221	—
Deerwood (SD)	—	1990	316	2,082,095	18,739,815	16,342,739	2,082,095	35,082,554	37,164,649	(31,387,018)	5,777,631	—
Del Mar Ridge	—	1998	181	7,801,824	36,948,176	4,478,037	7,801,824	41,426,213	49,228,037	(19,145,870)	30,082,164	—
Eagle Canyon	—	1985	252	1,808,900	16,274,361	11,453,379	1,808,900	29,536,640	27,727,740	(21,958,573)	7,578,070	—
Edge, The (Ika 4885 Edgemoor Lane)	—	(F)	—	—	52,311,710	—	—	52,311,710	52,311,710	—	—	—
Edgemont at Bethesda Metro	—	1989	122	13,092,552	43,907,448	2,485,329	13,092,552	46,392,777	59,485,329	(16,714,861)	42,770,468	—
Emerson Place	G	1962	444	14,855,000	57,566,656	36,095,829	14,855,000	93,662,465	108,517,465	(67,775,615)	40,741,850	—
Encore at Sherman Oaks, The	—	1988	174	8,700,000	25,446,003	4,521,390	8,700,000	29,967,393	38,667,393	(11,941,930)	26,725,463	—
Evira on Cherokee	—	2017	274	10,507,626	100,037,204	512,431	10,507,626	100,549,635	111,057,261	(10,488,698)	100,568,563	—

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	Location	Date of Construction	Apartment Units	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	4,735,333	25,900,000	88,721,550	114,621,550	(28,555,812)	86,065,738
Fremont Center	Fremont, CA	2002	322	25,800,000	78,753,114	5,103,474	25,800,000	83,856,588	109,656,588	(27,673,493)	81,983,095
Gaithersburg Station	Gaithersburg, MD	2013	400	17,500,000	74,678,917	4,636,691	17,500,000	79,315,608	96,815,608	(23,625,030)	73,190,578
Gallery, The	Hermosa Beach, CA	1971	169	18,144,000	46,567,941	3,103,348	18,144,000	49,671,289	67,815,289	(26,326,719)	41,488,570
Gateway at Malden Center	Malden, MA	1988	203	9,209,780	25,722,666	17,360,595	9,209,780	43,083,261	52,293,041	(28,698,550)	23,594,491
Geary Court Yard	San Francisco, CA	1990	165	1,722,400	15,471,429	6,286,909	1,722,400	21,758,338	23,480,738	(16,463,219)	7,017,519
Girard	Boston, MA	2016	160	—	102,450,328	921,575	—	103,371,903	103,371,903	(14,956,283)	88,415,620
Hampshire Place	Los Angeles, CA	1989	259	10,806,000	30,335,330	8,663,329	10,806,000	38,998,659	49,804,659	(21,516,455)	28,288,204
Harbor Steps	Seattle, WA	2000	761	59,403,601	158,829,432	43,131,840	59,403,601	201,961,272	261,364,873	(105,902,659)	155,462,214
Highway	Long Beach, CA	1987	385	2,512,500	22,611,912	14,527,190	2,512,500	37,139,102	39,651,602	(28,554,178)	11,097,424
Helios (aka 2nd+Pine)	Seattle, WA	2017	398	18,061,674	206,761,817	183,520	18,061,674	206,945,337	225,007,011	(28,336,441)	196,670,570
Heritage at Stone Ridge	Burlington, MA	2005	180	10,800,000	31,808,335	3,054,858	10,800,000	34,863,193	45,663,193	(19,026,623)	26,636,570
Heritage Ridge	Lynwood, WA	1999	197	6,895,000	18,983,597	4,683,392	6,895,000	23,666,989	30,561,989	(12,962,130)	17,599,859
Hesby	North Hollywood, CA	2013	308	23,299,892	102,700,108	2,406,522	23,299,892	105,106,630	128,406,522	(28,701,909)	99,704,613
Highlands at South Plainfield	South Plainfield, NJ	2000	252	10,080,000	37,526,912	2,930,209	10,080,000	40,457,121	50,537,121	(21,704,492)	28,832,629
Hikari	Los Angeles, CA	2007	128	9,435,760	32,564,240	1,055,340	9,435,760	33,619,580	43,055,340	(12,719,419)	30,335,921
Hillside II	Daly City, CA	(F)	—	—	1,892,874	—	—	1,892,874	1,892,874	—	1,892,874
Hudson Crossing	New York, NY	2003	259	23,420,000	69,977,699	3,305,385	23,420,000	73,283,084	96,703,084	(41,028,871)	55,674,213
Hudson Pointe	Jersey City, NJ	2003	182	5,350,000	41,114,074	7,258,907	5,350,000	48,372,981	53,722,981	(28,021,673)	25,701,308
Huxley, The	Redwood City, CA	2018	137	18,775,028	89,336,651	38,505	18,775,028	89,375,156	108,150,184	(7,124,237)	101,025,947
Ivory Wood	Bohrl, WA	2000	144	2,732,800	13,888,282	1,964,134	2,732,800	15,852,416	18,585,216	(9,126,262)	9,458,954
Jia (aka Chinatown Gateway)	Los Angeles, CA	2014	280	14,791,831	78,218,492	917,303	14,791,831	79,135,795	93,927,626	(25,013,639)	68,913,987
Junction 47 (aka West Seattle)	Seattle, WA	2015	206	11,726,305	56,584,312	256,046	11,726,305	56,840,358	68,566,663	(12,195,811)	56,370,852
Kelvin, The (aka Modern)	Irvine, CA	2015	194	15,521,552	64,853,448	778,776	15,521,552	65,632,224	81,153,776	(15,146,860)	66,006,916
Laguna Clara	Santa Clara, CA	1972	264	13,642,420	31,270,480	7,218,616	13,642,420	38,489,096	52,131,516	(21,078,780)	31,052,736
Landings at Port Imperial	W. New York, NJ	1999	276	27,246,045	37,741,050	15,622,471	27,246,045	53,363,521	80,609,566	(35,393,712)	45,215,854
Lane	Seattle, WA	2019	217	13,142,946	71,933,303	65,928	13,142,946	71,999,231	85,142,177	(4,558,633)	80,583,544
Lex, The	San Jose, CA	2017	387	21,817,512	158,778,598	462,150	21,817,512	159,240,748	181,058,260	(15,000,565)	166,057,695
Liberty Park	Braintree, MA	2000	202	5,977,504	26,749,111	7,808,575	5,977,504	34,557,686	40,535,190	(21,422,606)	19,112,584
Liberty Tower	Arlington, VA	2008	235	16,382,822	83,817,078	4,517,251	16,382,822	88,334,329	104,717,151	(34,837,074)	69,880,077
Lincoln Heights	Quincy, MA	1991	336	5,928,400	33,595,262	15,212,279	5,928,400	48,807,541	54,735,941	(39,401,499)	15,334,442
Lofts at Kendall Square (aka Kendall Square)	Cambridge, MA	1998	186	18,696,674	78,445,657	7,530,710	18,696,674	85,976,367	104,673,041	(27,734,674)	76,938,367
Lofts at Kendall Square II (aka 249 Third Street)	Cambridge, MA	2019	84	4,603,326	44,438,432	(503)	4,603,326	44,437,929	49,041,255	(2,109,619)	46,931,636
Longacre House	New York, NY	2000	293	73,170,045	53,962,510	5,401,688	73,170,045	59,364,198	132,534,243	(28,246,752)	104,287,491
Longfellow Place	Boston, MA	1975	710	38,264,917	132,175,915	89,681,781	38,264,917	221,857,696	260,122,613	(163,889,861)	96,232,752
Madox	Jersey City, NJ	2013	131	9,679,635	64,594,205	961,691	9,679,635	65,555,896	75,235,531	(7,494,654)	67,740,877
Manana	New York, NY	2012	98	22,346,513	61,501,158	1,480,793	22,346,513	62,981,951	85,328,464	(20,145,143)	65,183,321
Marina 41 (aka Marina Del Rey)	Marina Del Rey, CA	1973	623	—	168,842,442	9,623,804	—	178,466,246	178,466,246	(59,646,703)	118,819,543
Mariposa at Playa Del Rey (aka Playa Del Rey)	Playa Del Rey, CA	2004	354	60,900,000	89,311,482	7,039,392	60,900,000	96,350,874	157,250,874	(31,786,197)	125,464,677
Mark on 8th	Seattle, WA	2016	174	23,004,387	51,148,861	172,421	23,004,387	51,321,103	74,325,490	(6,791,552)	67,533,938
Market Street Village	San Diego, CA	2006	229	13,740,000	40,757,301	2,627,968	13,740,000	43,385,269	57,125,269	(22,558,686)	34,566,583
Milano Lofts	Los Angeles, CA	1925/2006	99	8,125,216	27,378,784	4,435,789	8,125,216	31,814,573	39,939,789	(10,534,953)	29,404,836
Mill Creek	Milpitas, CA	1991	516	12,858,693	57,168,903	18,006,191	12,858,693	75,174,694	88,033,387	(43,305,918)	44,727,469

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				Land	Building & Fixtures	Building & Fixtures	Building & Fixtures	Land	Building & Fixtures(A)	Total (B)	Accumulated Depreciation (C)	Encumbrances		
Mosaic at Metro	—	2008	260	—	59,580,898	1,669,692	61,250,590	—	61,250,590	61,250,590	(25,749,117)	—	35,501,473	—
Mountain View Redevelopment	—	(F)	—	—	1,630,338	—	1,630,338	—	1,630,338	1,630,338	—	—	1,630,338	—
Mosaic at Union Station	—	2007	272	8,500,000	52,529,446	2,595,464	8,500,000	8,500,000	55,124,910	63,624,910	(27,902,570)	—	35,722,340	—
Murray Hill Tower (fka Murray Hill)	G	1974	270	75,800,000	102,705,401	11,586,703	75,800,000	114,292,104	190,092,104	190,092,104	(38,926,014)	—	151,166,090	—
Next on Sixth	G	2017	398	52,509,906	136,635,650	161,352	52,509,906	136,797,002	189,306,908	189,306,908	(13,325,292)	—	175,981,616	—
North Pier at Harborside	—	2003	297	4,000,159	94,290,590	7,943,309	4,000,159	102,233,899	106,234,058	106,234,058	(57,060,669)	—	49,173,389	—
Norhtgen	—	1988	234	9,360,000	20,778,553	7,159,183	9,360,000	27,937,736	37,297,736	37,297,736	(17,739,770)	—	19,557,966	—
Northpark	—	1972	510	38,607,000	77,472,217	15,619,323	38,607,000	93,091,540	131,698,540	131,698,540	(43,765,024)	—	87,933,516	—
Notch	—	2020	158	5,463,324	43,490,989	5,378	5,463,324	43,496,367	48,959,691	48,959,691	(1,267,355)	—	47,692,336	—
Oak Park Combined	—	1989 & 1990	444	3,390,700	30,517,274	11,540,745	3,390,700	42,058,019	45,448,719	45,448,719	(35,268,612)	—	10,180,107	—
Oaks	—	2000	520	23,400,000	61,020,438	8,845,874	23,400,000	69,866,312	93,266,312	93,266,312	(41,469,709)	—	51,796,603	—
Oakwood Crystal City	—	1987	162	15,400,000	35,474,336	4,223,339	15,400,000	39,697,675	55,097,675	55,097,675	(13,360,668)	—	41,737,007	—
Ocean Crest	—	1986	146	5,111,200	11,910,438	5,063,378	5,111,200	16,973,816	22,085,016	22,085,016	(12,541,852)	—	9,543,164	—
Odin (fka Tallman)	—	2015	301	16,807,519	64,519,515	95,579	16,807,519	64,615,094	81,422,613	81,422,613	(13,686,832)	—	67,735,781	—
One Henry Adams	G	2016	241	30,224,393	139,564,405	75,093	30,224,393	139,639,498	169,863,891	169,863,891	(22,296,095)	—	147,567,796	—
One India Street (fka Oakwood Boston)	G	1901	94	22,200,000	28,672,979	6,922,941	22,200,000	35,595,920	57,795,920	57,795,920	(11,405,705)	—	46,390,215	—
Pacific Place	2008	430	2008	32,250,000	110,750,000	2,166,746	32,250,000	172,916,746	145,166,746	145,166,746	(35,114,578)	—	110,052,168	—
Packard Building	G	2010	61	5,911,041	19,954,959	1,230,863	5,911,041	21,185,822	27,096,863	27,096,863	(4,881,973)	—	22,214,890	—
Parc 77	G	1903	137	40,504,000	18,025,679	6,888,757	40,504,000	24,914,436	65,418,436	65,418,436	(14,944,137)	—	50,474,299	—
Parc Cameron	G	1927	166	37,600,000	9,855,597	7,768,599	37,600,000	17,624,196	55,224,196	55,224,196	(12,862,578)	—	42,361,618	—
Parc Coliseum	G	1910	177	52,654,000	23,045,751	9,759,837	52,654,000	32,805,588	85,459,588	85,459,588	(20,290,750)	—	65,168,838	—
Parc East Towers	G	1977	324	102,163,000	108,989,402	13,101,902	102,163,000	122,091,304	224,254,304	224,254,304	(60,987,908)	—	163,266,396	—
Parc on Powell (fka Parkside at Emeryville)	G	2015	173	16,667,059	65,100,751	753,908	16,667,059	65,854,659	82,521,718	82,521,718	(14,664,513)	—	67,857,205	—
Park Connecticut	—	2000	142	13,700,000	59,087,519	2,161,224	13,700,000	61,248,743	74,948,743	74,948,743	(18,692,087)	—	56,256,656	—
Park West (CA)	—	1987/1990	444	3,033,500	27,302,383	12,951,235	3,033,500	40,233,598	43,267,098	43,267,098	(32,562,373)	—	10,704,725	—
Parkside	—	1979	208	6,246,700	11,827,453	8,446,035	6,246,700	20,273,488	26,520,188	26,520,188	(14,157,450)	—	12,362,738	—
Pearl, The (WA)	G	2008	80	6,972,585	26,527,415	1,126,346	6,972,585	27,653,761	34,626,346	34,626,346	(6,325,802)	—	28,300,544	—
Pearl MDR (fka Oakwood Marina Del Rey)	G	1969	597	—	120,795,359	6,550,150	—	127,345,509	127,345,509	127,345,509	(43,885,705)	—	83,459,804	—
Pegasus	G	1949/2003	322	18,094,052	81,905,948	7,302,934	18,094,052	89,208,882	107,302,934	107,302,934	(35,775,990)	—	71,526,944	—
Playa Pacifica	—	1972	285	35,100,000	33,473,822	24,084,348	35,100,000	57,558,170	92,658,170	92,658,170	(34,060,220)	—	58,597,950	—
Portofino	—	1989	176	3,572,400	14,660,994	3,963,453	3,572,400	18,624,447	22,196,847	22,196,847	(14,859,876)	—	7,336,971	—
Portofino (Val)	—	1989	216	8,640,000	21,487,126	6,277,627	8,640,000	27,764,753	36,404,753	36,404,753	(18,614,985)	—	17,789,758	—
Portside Towers	G	1992-1997	527	22,487,006	96,842,913	26,069,539	22,487,006	122,912,452	145,399,458	145,399,458	(93,853,487)	—	51,545,971	—
Potrero 1010	G	2016	453	40,830,011	181,855,868	989,838	40,830,011	182,845,706	223,675,717	223,675,717	(33,782,465)	—	189,893,252	—
Prado (fka Glendale)	—	1988	264	—	67,977,313	6,662,673	—	74,639,986	74,639,986	74,639,986	(24,014,696)	—	50,625,290	—
Prime, The	—	2002	281	34,625,000	77,879,740	4,771,834	34,625,000	82,651,574	117,276,574	117,276,574	(35,430,836)	—	81,845,738	—
Prism at Park Avenue South (fka 400 Park Avenue South)	G	2015	269	76,292,169	171,726,887	271,618	76,292,169	171,958,505	248,250,674	248,250,674	(38,979,951)	—	209,270,723	—
Pronomade at Town Center I & II	—	2001	564	28,200,000	69,795,915	12,726,006	28,200,000	82,521,921	110,721,921	110,721,921	(47,521,592)	—	63,200,329	—
Providence	—	2000	200	200,373,621	19,055,505	5,068,503	3,573,621	24,114,008	27,687,629	27,687,629	(13,078,610)	—	14,609,019	—
Quarry Hills	—	2006	316	26,900,000	84,411,162	4,822,863	26,900,000	89,234,025	116,134,025	116,134,025	(28,874,667)	—	87,259,358	—
Radius Uptown	—	2017	372	13,644,960	121,899,084	1,070,656	13,644,960	122,969,740	136,614,700	136,614,700	(14,861,159)	—	121,753,541	—
Red 160 (fka Redmond Way)	G	2011	250	15,546,376	65,320,010	1,554,405	15,546,376	66,874,415	82,420,791	82,420,791	(22,940,448)	—	59,480,343	—
Redmond Court	—	1977	206	10,300,000	33,488,745	1,923,709	10,300,000	35,412,454	45,712,454	45,712,454	(12,697,765)	—	33,014,689	—

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Description	Initial Cost to Company				Cost Capitalized Subsequent to Acquisition (Improvements, net) (E)				Gross Amount Carried at Close of Period 12/31/20				Investment in Real Estate, Net at 12/31/20	
	Apartment Name	Location	Non-Residential Components	Date of Construction	Apartment Units	Land	Building & Fixtures	Building & Fixtures	Land	Building & Fixtures (A)	Total (B)	Accumulated Depreciation (C)	Estim. Net at 12/31/20	Encumbrances
Regency Palms		Huntington Beach, CA	—	1969	310	1,857,400	16,713,254	8,166,256	1,857,400	24,979,510	26,736,910	(20,072,599)	6,664,311	—
Reserve at Clarendon Centre, The		Arlington, VA	G	2003	252	10,500,000	52,812,935	5,015,196	10,500,000	57,828,131	68,328,131	(34,812,389)	33,515,742	—
Reserve at Eisenhower, The		Alexandria, VA	—	2002	226	6,500,000	34,585,060	5,104,139	6,500,000	39,689,199	46,189,199	(23,797,415)	22,391,784	—
Reserve at Empire Lakes		Rancho Cucamonga, CA	—	2005	467	16,345,000	73,080,670	5,402,223	16,345,000	78,482,893	94,827,893	(41,826,076)	53,001,817	—
Reserve at Fairfax Corner		Fairfax, VA	—	2001	652	15,804,057	63,129,051	13,200,537	15,804,057	76,329,588	92,133,645	(47,641,317)	44,492,328	—
Reserve at Mountain View (aka Mountain View)		Mountain View, CA	—	1965	180	27,000,000	33,029,605	7,682,065	27,000,000	40,711,670	67,711,670	(14,792,142)	52,919,528	—
Reserve at Potomac Yard		Alexandria, VA	—	2002	588	11,918,917	68,862,641	18,128,215	11,918,917	86,990,856	98,909,773	(49,807,938)	49,101,835	—
Reserve at Town Center I-III (WA)		Mill Creek, WA	G	2001, 2009, 2014	584	16,768,705	77,623,664	9,950,448	16,768,705	87,574,112	104,342,817	(39,942,888)	64,399,929	—
Residences at Westgate I (aka Westgate II)		Pasadena, CA	G	2014	252	17,859,785	109,261,438	603,327	17,859,785	109,864,765	127,724,550	(30,747,047)	96,977,503	—
Residences at Westgate II (aka Westgate III)		Pasadena, CA	G	2015	88	12,118,248	40,486,467	119,401	12,118,248	40,605,868	52,724,116	(9,059,400)	43,664,716	—
Rianna I & II		Seattle, WA	G	2000/2002	156	4,430,000	29,298,096	1,594,173	4,430,000	30,892,269	35,322,269	(13,558,016)	21,764,253	—
Ridgewood Village I&II		San Diego, CA	—	1997	408	11,809,500	34,004,048	6,762,215	11,809,500	40,766,263	52,575,763	(29,418,122)	23,157,641	—
Riva Terra I (aka Redwood Shores)		Redwood City, CA	—	1986	304	34,963,355	84,587,658	8,097,405	34,963,355	92,685,063	127,648,418	(31,553,572)	96,094,846	—
Riva Terra II (aka Harborside)		Redwood City, CA	—	1986	149	17,136,645	40,536,631	4,063,635	17,136,645	44,600,166	61,736,811	(13,928,284)	47,808,527	—
Riverpark		Redmond, WA	G	2009	321	14,355,000	80,894,049	4,803,736	14,355,000	85,697,785	100,052,785	(30,548,447)	69,504,338	—
Rivington, The		Hoboken, NJ	—	1999	240	34,340,640	112,730,596	3,283,711	34,340,640	116,014,307	150,354,947	(15,662,554)	134,692,393	—
Rosecliff II		Quincy, MA	—	2005	130	4,922,840	30,202,160	1,801,272	4,922,840	32,003,432	36,926,272	(12,228,816)	24,697,456	—
Sakura Crossing		Los Angeles, CA	G	2009	230	14,641,990	42,858,010	1,561,995	14,641,990	44,420,005	59,061,995	(17,561,315)	41,500,680	—
Saxon		Seattle, WA	G	2019	325	38,805,400	128,652,023	373,996	38,805,400	129,026,019	167,831,419	(9,518,028)	158,313,391	—
Seventh & James		Seattle, WA	G	1992	96	663,800	5,974,803	4,639,194	663,800	10,613,997	11,277,797	(8,600,004)	2,677,793	—
Sheffield Court		Arlington, VA	—	1986	597	3,342,381	31,337,332	18,847,422	3,342,381	50,184,754	53,527,135	(41,685,265)	11,841,870	—
Sienna Terrace		Lake Forest, CA	—	1988	356	8,900,000	24,083,024	8,661,820	8,900,000	32,744,844	41,644,844	(24,001,604)	17,643,240	—
Skycrest		Valencia, CA	—	1999	264	10,560,000	25,574,457	6,581,900	10,560,000	32,156,357	42,716,357	(21,056,234)	21,660,123	—
Skylink		Union City, CA	—	1986	174	1,781,600	16,731,916	5,763,877	1,781,600	22,495,793	24,277,393	(16,357,971)	7,919,422	—
Skyview		Rancho Santa Margarita, CA	—	1999	260	3,380,000	21,952,863	6,109,768	3,380,000	28,062,631	31,442,631	(20,168,570)	11,274,061	—
SoMa II		San Francisco, CA	—	(F)	—	29,406,606	5,913,784	—	29,406,606	5,913,784	35,320,390	—	35,320,390	—
Sonterra at Foothill Ranch		Foothill Ranch, CA	—	1997	300	7,503,400	24,048,307	6,242,084	7,503,400	30,290,541	37,793,941	(22,570,636)	15,223,305	—
South City Station (aka South San Francisco)		San Francisco, CA	G	2007	368	68,900,000	79,476,861	5,874,314	68,900,000	85,351,175	154,251,175	(27,619,642)	126,631,533	—
Southwood		Palo Alto, CA	—	1985	100	6,936,600	14,324,069	7,029,392	6,936,600	21,353,461	28,290,061	(14,889,800)	13,400,261	—
Springline		Seattle, WA	G	2016	136	9,163,667	47,910,981	462,653	9,163,667	48,373,634	57,537,301	(8,167,981)	49,369,320	—
STOA		Los Angeles, CA	G	2017	237	25,326,048	79,976,031	466,898	25,326,048	80,442,929	105,768,977	(15,803,477)	48,620,192	—
Summerset Village		Chatsworth, CA	—	1985	280	2,890,450	23,670,889	8,738,634	2,890,450	32,409,523	35,299,973	(26,387,722)	8,912,251	—
Summit at Sausalito (aka Sausalito)		Sausalito, CA	—	1978	198	26,000,000	28,435,024	9,988,645	26,000,000	38,423,669	64,423,669	(18,298,459)	41,743,995	—
Ten23 (aka 500 West 23rd Street)		New York, NY	G	2011	111	—	58,881,873	1,160,581	—	60,042,454	60,042,454	(18,298,459)	41,743,995	—
Terraces, The		San Francisco, CA	G	1975	117	14,087,610	16,314,151	2,504,676	14,087,610	18,818,827	32,906,437	(7,920,298)	24,986,139	—
Third Square		Cambridge, MA	G	2008/2009	471	26,767,171	218,822,728	9,395,974	26,767,171	228,218,702	254,985,873	(94,757,814)	160,228,059	—
Three20		Seattle, WA	G	2013	134	7,030,766	29,005,762	969,854	7,030,766	29,975,616	37,006,382	(8,984,046)	28,022,336	—
Toscana		Irvine, CA	—	1991/1993	563	39,410,000	50,806,072	25,605,818	39,410,000	76,411,890	115,821,890	(48,052,411)	67,769,479	—
Town Square at Mark Center I&II		Alexandria, VA	—	1996	678	39,928,464	141,208,321	14,623,345	39,928,464	155,831,666	195,760,130	(76,590,730)	119,169,400	—
Troy Boston		Boston, MA	G	2015	378	34,641,051	181,607,331	2,157,467	34,641,051	183,764,798	218,405,849	(23,789,711)	194,616,138	—
Urbana (aka Market Street Landing)		Seattle, WA	G	2014	289	12,542,418	75,800,090	2,625,630	12,542,418	78,425,720	90,968,138	(23,312,467)	67,655,671	—

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				Land	Building & Fixtures	Land	Building & Fixtures (A)	Land	Building & Fixtures (A)		
Avenir Apartments	G	2009	241	—	114,321,619	—	6,957,817	—	121,279,436	(36,961,367)	84,318,069
Calvert Woodley	—	1962	136	12,600,000	43,527,379	12,600,000	2,813,918	12,600,000	46,341,297	(14,908,145)	44,033,152
Citrus Suites	—	1978	70	9,000,000	16,950,326	9,000,000	2,159,124	9,000,000	19,109,450	(6,341,008)	21,768,442
City Pointe	G	2004	183	6,863,792	36,476,208	6,863,792	3,982,736	6,863,792	47,322,736	(16,998,993)	30,323,743
Cleveland House	—	1953	214	18,300,000	66,392,414	18,300,000	6,478,149	18,300,000	72,870,563	(23,146,687)	68,023,876
Columbia Crossing	—	1991	247	23,500,000	53,045,073	23,500,000	3,332,258	23,500,000	56,377,331	(18,786,207)	61,091,124
Elevé	G	2013	208	14,080,560	56,419,440	14,080,560	1,113,113	14,080,560	57,532,553	(16,339,803)	55,273,310
Estancia at Santa Clara (fka Santa Clara)	—	2000	450	—	123,759,804	—	2,978,093	—	126,737,897	(41,055,149)	85,682,748
Fairchase	—	2007	392	23,500,000	87,722,321	23,500,000	1,898,989	23,500,000	89,621,310	(27,669,103)	85,452,207
Fairfield	G	1996	263	6,510,200	39,690,120	6,510,200	9,558,884	6,510,200	49,249,004	(38,011,328)	17,747,876
Flats at DuPont Circle	—	1967	306	35,200,000	108,768,198	35,200,000	4,360,800	35,200,000	113,128,998	(33,817,504)	114,511,494
Glo	G	2008	201	16,047,023	48,650,963	16,047,023	3,698,250	16,047,023	52,349,213	(19,833,118)	48,563,118
Heights on Capitol Hill	G	2006	104	5,425,000	21,138,028	5,425,000	1,918,209	5,425,000	23,056,237	(11,613,731)	16,867,506
Keblin Court (fka Alta Pacific)	—	2008	132	10,752,145	34,846,856	10,752,145	960,195	10,752,145	35,807,051	(15,665,700)	30,893,496
Kenwood Mews	—	1991	141	14,100,000	24,662,883	14,100,000	4,295,836	14,100,000	28,898,719	(16,005,176)	27,053,543
La Terrazza at Colma Station	G	2005	155	—	41,251,044	—	3,395,476	—	44,846,520	(21,415,715)	23,430,805
Lindley Apartments	—	2004	129	5,805,000	25,705,000	5,805,000	2,226,777	5,805,000	27,931,777	(11,253,531)	22,483,246
Lofts 590	—	2005	212	20,100,000	67,909,023	20,100,000	948,447	20,100,000	88,957,470	(20,702,192)	68,255,278
Longview Place	—	2004	348	20,880,000	90,255,509	20,880,000	11,851,439	20,880,000	102,106,948	(53,169,019)	69,817,929
Metro on First	G	2002	102	8,540,000	12,209,981	8,540,000	2,303,132	8,540,000	14,713,113	(7,824,496)	15,428,617
Moda	G	2009	251	12,649,228	36,842,012	12,649,228	2,077,059	12,649,228	38,919,071	(16,192,358)	35,375,941
Monterra (CA)	—	1990	272	8,160,000	29,360,938	8,160,000	8,739,937	8,160,000	38,100,875	(27,667,597)	18,539,278
Old Town Lofts	G	2014	149	7,740,467	44,146,181	7,740,467	911,878	7,740,467	46,260,875	(10,447,662)	42,350,864
Olympus Towers	G	2000	328	14,752,034	73,335,425	14,752,034	11,308,550	14,752,034	84,843,975	(49,773,869)	49,822,140
Park Place at San Mateo (fka San Mateo)	G	2001	575	71,900,000	211,907,141	71,900,000	14,964,633	71,900,000	226,871,774	(72,984,554)	225,787,220
Skyhouse Denver	G	2017	354	13,562,331	126,360,318	13,562,331	677,621	13,562,331	127,037,939	(15,222,629)	125,077,641
SoMa Square Apartments (fka South Market)	G	1986	410	79,900,000	177,316,977	79,900,000	16,836,498	79,900,000	194,153,475	(60,659,528)	213,393,947
Square One	—	2014	112	7,222,544	26,277,456	7,222,544	133,045	7,222,544	26,410,501	(7,302,057)	26,330,988
Teresina	—	2000	440	28,600,000	61,916,670	28,600,000	8,105,506	28,600,000	70,022,176	(36,713,370)	61,908,806
Vantage Hollywood	—	1987	298	42,580,326	56,014,674	42,580,326	3,323,418	42,580,326	59,338,092	(16,037,599)	85,880,819
Vintage	—	2005-2007	300	7,059,230	47,677,762	7,059,230	1,982,739	7,059,230	49,660,501	(25,190,161)	31,529,570
Vintage at 425 Broadway (fka Promenade)	G	1934/2001	60	9,000,000	13,961,523	9,000,000	1,968,533	9,000,000	15,930,056	(5,447,549)	19,482,507
West 54th	G	2001	222	60,900,000	48,193,837	60,900,000	4,524,296	60,900,000	52,718,133	(18,850,602)	94,767,531
Westgate (fka Westgate I)	—	2010	480	22,898,848	133,467,158	22,898,848	4,125,453	22,898,848	137,592,611	(46,995,276)	113,496,183
Portfolio/Entity Encumbrances (1)	—	—	—	—	—	—	—	—	—	—	—
Wholly Owned Encumbered		10,127		842,305,927	2,668,597,698	842,305,927	2,862,276,123	842,305,927	3,704,582,050	(1,032,587,859)	2,671,994,191

Partially Owned Unencumbered:

2300 Elliott	G	1992	92	796,800	7,173,725	796,800	7,820,623	796,800	14,994,348	(12,389,244)	3,401,904
9th & W	G	(f)	—	—	7,017,002	—	7,017,002	—	7,017,002	—	7,017,002
Bellevue Meadows	—	1983	180	4,507,100	12,574,814	4,507,100	6,087,865	4,507,100	18,662,679	(14,585,459)	8,584,320
Canyon Ridge	—	1989	162	4,869,448	11,955,063	4,869,448	4,258,637	4,869,448	16,213,700	(12,460,975)	8,622,173
Country Oaks	—	1985	256	6,105,000	29,561,865	6,105,000	7,563,839	6,105,000	37,125,704	(23,902,034)	19,328,670
Harrison Square (fka Elliot Bay)	G	1992	166	7,600,000	35,844,345	7,600,000	5,832,090	7,600,000	41,676,435	(14,608,832)	34,667,603

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2020

Description	Apartment Name	Location	Non-Residential Components	Date of Construction	Apartment Units	Initial Cost to Company			Gross Amount Carried at Close of Period 12/31/20			Investment in Real Estate, Net at 12/31/20		
						Land	Building & Fixtures	Building & Fixtures (Improvements, net) (E)	Land	Building & Fixtures (A)	Total (B)	Accumulated Depreciation (C)	12/31/20	Encumbrances
	Lantern Cove	Foster City, CA	—	1985	232	6,945,000	23,064,976	7,999,330	6,945,000	31,064,306	38,009,306	(21,090,571)	16,918,735	—
	Radius Koreatown	Los Angeles, CA	—	2014/2016	301	32,494,154	84,645,202	394,749	32,494,154	85,039,951	117,534,105	(15,147,227)	102,386,878	—
	Rosecliff	Quincy, MA	—	1990	156	5,460,000	15,721,570	4,712,510	5,460,000	20,434,080	25,894,080	(14,750,661)	11,143,419	—
	Schooner Bay I	Foster City, CA	—	1985	168	5,345,000	20,390,618	7,030,910	5,345,000	27,421,528	32,766,528	(18,045,457)	14,721,071	—
	Schooner Bay II	Foster City, CA	—	1985	144	4,550,000	18,064,764	5,732,766	4,550,000	23,797,530	28,347,530	(16,050,917)	12,296,613	—
	Surrey Downs	Bellevue, WA	—	1986	122	3,057,100	7,848,618	3,698,582	3,057,100	11,547,200	14,604,300	(8,809,623)	5,794,677	—
	Venn at Main	Bellevue, WA	G	2016	350	26,626,497	151,520,448	518,736	26,626,497	152,039,184	178,665,681	(21,480,824)	157,184,857	—
	Virgil Square	Los Angeles, CA	—	1979	142	5,500,000	15,216,613	3,833,548	5,500,000	19,050,161	24,550,161	(10,768,560)	13,781,601	—
	Wood Creek II (aka Willow Brook (CA))	Pleasant Hill, CA	—	1985	228	5,055,000	38,388,672	9,606,448	5,055,000	47,995,120	53,050,120	(27,453,256)	25,596,864	—
	Partially Owned Unencumbered				2,699	118,911,099	478,988,295	75,090,633	118,911,099	554,078,928	672,990,027	(231,543,640)	441,446,387	—
	Partially Owned Encumbered:													
	Aero Apartments	Alameda, CA	G	(F)	—	13,107,242	77,932,171	—	13,107,242	77,932,171	91,039,413	—	91,039,413	31,493,854
	Canyon Creek (CA)	San Ramon, CA	—	1984	268	5,425,000	18,812,120	8,138,492	5,425,000	26,950,612	32,375,612	(19,317,572)	13,058,040	28,193,080
	Wisconsin Place	Chevy Chase, MD	—	2009	432	—	172,089,355	1,687,416	—	173,776,771	173,776,771	(54,348,611)	119,428,160	146,057,885
	Partially Owned Encumbered				700	18,532,242	268,833,646	9,825,908	18,532,242	278,659,554	297,191,796	(73,666,183)	223,525,613	205,744,819
	Total Consolidated Investment in Real Estate				77,889	\$ 5,855,057,873	\$ 19,449,649,936	\$ 1,898,617,291	\$ 5,855,057,873	\$ 21,348,267,227	\$ 27,203,325,100	\$ (7,859,657,203)	\$ 19,343,667,897	\$ 2,293,889,723

(1) See attached Encumbrances Reconciliation.

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2020

NOTES:

- (A) The balance of furniture & fixtures included in the total investment in real estate amount was \$1,970,033,328 as of December 31, 2020.
- (B) The cost, net of accumulated depreciation, for Federal Income Tax purposes as of December 31, 2020 was approximately \$13.8 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 costs owned by the Management Business acquired/added at various acquisition dates and largely represents furniture, fixtures and equipment and computer equipment and software costs, which are generally depreciated over periods ranging from 3 to 7 years, and leasehold improvements, which are generally depreciated over the term of each respective lease.
- (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 non-residential components (consisting of retail and/or public parking garage operations).
- (H) See Encumbrances Reconciliation schedule.
- (I) Boot property for Bond Partnership mortgage pool.

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Corporate Data

Board of Trustees

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

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Equity Residential

Angela M. Aman²

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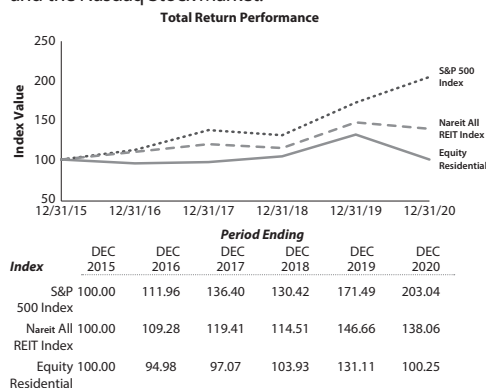
Former Chief Financial Officer, Simon Property
Group, Inc.

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

Total Shareholder Returns

Performance Graph 2016-2020

The following graph compares our shareholder return (assuming reinvestment of dividends) since December 31, 2015 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, 2015. 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 2020 Environmental,
Social and Governance Report.

Executive Officers

Mark J. Parrell

President and Chief Executive Officer

Barry S. Altshuler

Executive Vice President-Investments

Alexander Brackenridge

Executive Vice President and Chief Investment
Officer

Catherine M. Carraway

Executive Vice President and Chief Human
Resources Officer

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 - Investments and Former
Chief Investment Officer (Retired)

Michael L. Manelis

Executive Vice President and
Chief Operating Officer

Christa L. Sorenson

Executive Vice President Human Resources

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 12, 2021
was approximately 1,950. The number of
outstanding common shares as of February 12,
2021 was 372,663,215.

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

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www.equityapartments.com