EQUITY RESIDENTIAL
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended MARCH 31, 2013

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Equity Residential Yes ¨ No x ERP Operating Limited Partnership Yes ¨ No x
The number of EQR Common Shares of Beneficial Interest, $0.01 par value, outstanding on May 3, 2013 was 360,102,114.

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EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2013 of Equity Residential and ERP Operating Limited Partnership. Unless stated otherwise or the context otherwise requires, references to “EQR” mean Equity Residential, a Maryland real estate investment trust (“REIT”), and references to “ERPOP” mean ERP Operating Limited Partnership, an Illinois limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the “Operating Partnership” mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. The following chart illustrates the Company's and the Operating Partnership's corporate structure:
EQR is the general partner of, and as of March 31, 2013 owned an approximate 96.2% ownership interest in, ERPOP. The remaining 3.8% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	March 31, 2013	December 31, 2012
ASSETS		
Investment in real estate		
Land	$6,319,353	$4,554,912
Depreciable property	19,966,235	15,711,944
Projects under development	500,829	387,750
Land held for development	577,676	353,823
Investment in real estate	27,364,093	21,008,429
Accumulated depreciation	(4,434,775)	(4,912,221)
Investment in real estate, net	22,929,318	16,096,208
Cash and cash equivalents	56,087	612,590
Investments in unconsolidated entities	193,338	17,877
Deposits – restricted	147,515	250,442
Escrow deposits – mortgage	39,535	9,129
Deferred financing costs, net	71,229	44,382
Other assets	358,136	170,372
Total assets	$23,795,158	$17,201,000
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	$6,380,424	$3,898,369
Notes, net	5,379,890	4,630,875
Lines of credit	395,000	—
Accounts payable and accrued expenses	104,836	38,372
Accrued interest payable	88,518	76,223
Other liabilities	401,225	304,518
Security deposits	72,669	66,988
Distributions payable	150,751	260,176
Total liabilities	12,973,313	9,275,521
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	386,757	398,372
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized; 1,000,000 shares issued and outstanding as of March 31, 2013 and December 31, 2012	50,000	50,000
Common Shares of beneficial interest, $0.01 par value; 1,000,000,000 shares authorized; 360,063,675 shares issued and outstanding as of March 31, 2013 and 325,054,654 shares issued and outstanding as of December 31, 2012	3,601	3,251
Paid in capital	8,492,845	6,542,355
Retained earnings	1,759,990	887,355

Accumulated other comprehensive (loss)	(182,508)	(193,148)
Total shareholders' equity	10,123,928	7,289,813
Noncontrolling Interests:		
Operating Partnership	205,230	159,606
Partially Owned Properties	105,930	77,688
Total Noncontrolling Interests	311,160	237,294
Total equity	10,435,088	7,527,107
Total liabilities and equity	$23,795,158	$17,201,000

See accompanying notes

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

	Quarter Ended March 31, 2013	Quarter Ended March 31, 2012
REVENUES		
Rental income	$537,002	$444,384
Fee and asset management	2,160	2,064
Total revenues	539,162	446,448
EXPENSES		
Property and maintenance	107,083	92,952
Real estate taxes and insurance	68,647	52,440
Property management	22,489	23,339
Fee and asset management	1,646	1,307
Depreciation	205,272	148,246
General and administrative	16,496	13,688
Total expenses	421,633	331,972
Operating income	117,529	114,476
Interest and other income	256	169
Other expenses	(2,564)	(5,807)
Merger expenses	(19,092)	(1,149)
Interest:		
Expense incurred, net	(195,685)	(118,011)
Amortization of deferred financing costs	(7,023)	(2,934)
(Loss) before income and other taxes, (loss) from investments in unconsolidated entities and discontinued operations	(106,579)	(13,256)
Income and other tax (expense) benefit	(407)	(170)
(Loss) from investments in unconsolidated entities due to operations	(355)	—
(Loss) from investments in unconsolidated entities due to merger expenses	(46,011)	—
(Loss) from continuing operations	(153,352)	(13,426)
Discontinued operations, net	1,214,386	165,593
Net income	1,061,034	152,167
Net (income) attributable to Noncontrolling Interests:		
Operating Partnership	(43,323)	(6,418)
Partially Owned Properties	(25)	(450)
Net income attributable to controlling interests	1,017,686	145,299
Preferred distributions	(1,036)	(3,466)
Net income available to Common Shares	$1,016,650	$141,833
Earnings per share – basic:		
(Loss) from continuing operations available to Common Shares	$(0.44)	$(0.06)
Net income available to Common Shares	$3.01	$0.47
Weighted average Common Shares outstanding	337,532	298,805
Earnings per share – diluted:		

(Loss) from continuing operations available to Common Shares	$(0.44)	$(0.06)
Net income available to Common Shares	$3.01	$0.47
Weighted average Common Shares outstanding	337,532	298,805
Distributions declared per Common Share outstanding	$0.40	$0.3375

See accompanying notes
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EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)
(Amounts in thousands except per share data)
(Unaudited)

	Quarter Ended March 31,	
	2013	2012
Comprehensive income:		
Net income	$1,061,034	$152,167
Other comprehensive income (loss):		
Other comprehensive income – derivative instruments:		
Unrealized holding gains arising during the period	2,814	3,218
Losses reclassified into earnings from other comprehensive income	8,272	3,563
Other comprehensive income (loss) – other instruments:		
Unrealized holding gains (losses) arising during the period	427	(36)
Other comprehensive (loss) – foreign currency:		
Currency translation adjustments arising during the period	(873)	—
Other comprehensive income	10,640	6,745
Comprehensive income	1,071,674	158,912
Comprehensive (income) attributable to Noncontrolling Interests	(43,348)	(6,868)
Comprehensive income attributable to controlling interests	$1,028,326	$152,044

See accompanying notes

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

	Quarter Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,061,034	$152,167
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	220,038	175,108
Amortization of deferred financing costs	7,176	2,974
Amortization of above/below market leases	292	—
Amortization of discounts and premiums on debt	(7,071)	(1,567)
Amortization of deferred settlements on derivative instruments	8,139	3,429
Write-off of pursuit costs	2,533	1,034
Loss from investments in unconsolidated entities	46,366	—
Distributions from unconsolidated entities – return on capital	257	89
Net (gain) on sales of discontinued operations	(1,198,922)	(132,956)
Unrealized (gain) on derivative instruments	—	(1)
Compensation paid with Company Common Shares	10,236	8,968
Changes in assets and liabilities:		
Decrease (increase) in deposits – restricted	1,733	(2,768)
Decrease (increase) in mortgage deposits	1,651	(782)
Decrease in other assets	15,220	12,262
Increase in accounts payable and accrued expenses	47,498	41,616
Increase (decrease) in accrued interest payable	1,039	(8,632)
(Decrease) in other liabilities	(18,437)	(16,878)
(Decrease) increase in security deposits	(5,268)	182
Net cash provided by operating activities	193,514	234,245
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Archstone, net of cash acquired	(4,000,643)	—
Investment in real estate – acquisitions	—	(183,112)
Investment in real estate – development/other	(65,232)	(35,876)
Improvements to real estate	(26,599)	(30,225)
Additions to non-real estate property	(1,942)	(2,229)
Interest capitalized for real estate and unconsolidated entities under development	(8,413)	(4,996)
Proceeds from disposition of real estate, net	2,955,398	204,272
Investments in unconsolidated entities	(283)	(2,396)
Decrease (increase) in deposits on real estate acquisitions and investments, net	101,668	(27,386)
Decrease in mortgage deposits	4,473	83
Net cash (used for) investing activities	(1,041,573)	(81,865)

See accompanying notes

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

	Quarter Ended March 31, 2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan and bond acquisition costs	$(13,869)	$(4,227)
Mortgage deposits	(632)	(37)
Mortgage notes payable:		
Restricted cash	—	209
Lump sum payoffs	(584,020)	(47,800)
Scheduled principal repayments	(3,244)	(3,970)
Notes, net:		
Proceeds	750,000	—
Lump sum payoffs	—	(253,858)
Lines of credit:		
Proceeds	5,850,000	—
Repayments	(5,455,000)	—
Proceeds from sale of Common Shares	—	152,058
Proceeds from Employee Share Purchase Plan (ESPP)	1,763	4,210
Proceeds from exercise of options	7,174	18,938
Payment of offering costs	(406)	(1,887)
Contributions – Noncontrolling Interests – Partially Owned Properties	3,299	921
Contributions – Noncontrolling Interests – Operating Partnership	3	5
Distributions:		
Common Shares	(249,330)	(168,350)
Preferred Shares	—	(3,466)
Noncontrolling Interests – Operating Partnership	(10,837)	(7,657)
Noncontrolling Interests – Partially Owned Properties	(3,345)	(1,762)
Net cash provided by (used for) financing activities	291,556	(316,673)
Net (decrease) in cash and cash equivalents	(556,503)	(164,293)
Cash and cash equivalents, beginning of period	612,590	383,921
Cash and cash equivalents, end of period	$56,087	$219,628

See accompanying notes

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

	Quarter Ended March 31, 2013	2012
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$182,356	$125,435
Net cash paid for income and other taxes	$483	$560
Amortization of deferred financing costs:		
Investment in real estate, net	$(1)	$—
Deferred financing costs, net	$7,177	$2,974
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(7,557)	$(2,153)
Notes, net	$486	$586
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(133)	$(134)
Accumulated other comprehensive income	$8,272	$3,563
Loss from investments in unconsolidated entities		
Investments in unconsolidated entities	$42,213	$—
Other liabilities	$4,153	$—
Unrealized (gain) on derivative instruments:		
Other assets	$1,471	$1,300
Mortgage notes payable	$—	$(588)
Notes, net	$(1,471)	$(712)
Other liabilities	$(2,814)	$(3,219)
Accumulated other comprehensive income	$2,814	$3,218
Acquisition of Archstone, net of cash acquired:		
Investment in real estate, net	$(8,707,967)	$—
Investments in unconsolidated entities	$(218,197)	$—
Deposits – restricted	$(474)	$—
Escrow deposits – mortgage	$(35,898)	$—
Deferred financing costs, net	$(25,780)	$—
Other assets	$(204,523)	$—
Mortgage notes payable	$3,076,876	$—
Accounts payable and accrued expenses	$17,593	$—
Accrued interest payable	$11,256	$—
Other liabilities	$117,391	$—
Security deposits	$10,949	$—
Issuance of Common Shares	$1,929,868	$—
Noncontrolling Interests – Partially Owned Properties	$28,263	$—
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(8,089)	$(4,827)
Investments in unconsolidated entities	$(324)	$(169)
Other:		
Receivable on sale of Common Shares	$—	$28,457
Foreign currency translation adjustments	$873	$—

See accompanying notes

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

	Quarter Ended March 31, 2013
SHAREHOLDERS' EQUITY	
PREFERRED SHARES	
Balance, beginning of year	$50,000
Balance, end of period	$50,000
COMMON SHARES, $0.01 PAR VALUE	
Balance, beginning of year	$3,251
Issuance of Common Shares	345
Exercise of share options	3
Share-based employee compensation expense:	
Restricted shares	2
Balance, end of period	$3,601
PAID IN CAPITAL	
Balance, beginning of year	$6,542,355
Common Share Issuance:	
Conversion of OP Units into Common Shares	684
Issuance of Common Shares	1,929,523
Exercise of share options	7,171
Employee Share Purchase Plan (ESPP)	1,763
Share-based employee compensation expense:	
Restricted shares	3,050
Share options	3,367
ESPP discount	311
Offering costs	(406)
Supplemental Executive Retirement Plan (SERP)	(2,219)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	50,109
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(42,863)
Balance, end of period	$8,492,845
RETAINED EARNINGS	
Balance, beginning of year	$887,355
Net income attributable to controlling interests	1,017,686
Common Share distributions	(144,015)
Preferred Share distributions	(1,036)
Balance, end of period	$1,759,990

See accompanying notes

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

	Quarter Ended March 31, 2013
SHAREHOLDERS' EQUITY (continued)	
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(193,148)
Accumulated other comprehensive income – derivative instruments:	
Unrealized holding gains arising during the period	2,814
Losses reclassified into earnings from other comprehensive income	8,272
Accumulated other comprehensive income – other instruments:	
Unrealized holding gains arising during the period	427
Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(873)
Balance, end of period	$(182,508)
NONCONTROLLING INTERESTS	
OPERATING PARTNERSHIP	
Balance, beginning of year	$159,606
Issuance of LTIP Units to Noncontrolling Interests	3
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(684)
Equity compensation associated with Noncontrolling Interests	4,304
Net income attributable to Noncontrolling Interests	43,323
Distributions to Noncontrolling Interests	(5,691)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	(38,494)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	42,863
Balance, end of period	$205,230
PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$77,688
Net income attributable to Noncontrolling Interests	25
Contributions by Noncontrolling Interests	3,299
Acquisition of Archstone	28,263
Distributions to Noncontrolling Interests	(3,345)
Balance, end of period	$105,930

See accompanying notes

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

	March 31, 2013	December 31, 2012
ASSETS		
Investment in real estate		
Land	$6,319,353	$4,554,912
Depreciable property	19,966,235	15,711,944
Projects under development	500,829	387,750
Land held for development	577,676	353,823
Investment in real estate	27,364,093	21,008,429
Accumulated depreciation	(4,434,775)	(4,912,221)
Investment in real estate, net	22,929,318	16,096,208
Cash and cash equivalents	56,087	612,590
Investments in unconsolidated entities	193,338	17,877
Deposits – restricted	147,515	250,442
Escrow deposits – mortgage	39,535	9,129
Deferred financing costs, net	71,229	44,382
Other assets	358,136	170,372
Total assets	$23,795,158	$17,201,000
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable	$6,380,424	$3,898,369
Notes, net	5,379,890	4,630,875
Lines of credit	395,000	—
Accounts payable and accrued expenses	104,836	38,372
Accrued interest payable	88,518	76,223
Other liabilities	401,225	304,518
Security deposits	72,669	66,988
Distributions payable	150,751	260,176
Total liabilities	12,973,313	9,275,521
Commitments and contingencies		
Redeemable Limited Partners	386,757	398,372
Capital:		
Partners' Capital:		
Preference Units	50,000	50,000
General Partner	10,256,436	7,432,961
Limited Partners	205,230	159,606
Accumulated other comprehensive (loss)	(182,508)	(193,148)
Total partners' capital	10,329,158	7,449,419
Noncontrolling Interests – Partially Owned Properties	105,930	77,688
Total capital	10,435,088	7,527,107
Total liabilities and capital	$23,795,158	$17,201,000

See accompanying notes

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

	Quarter Ended March 31,	
	2013	2012
REVENUES		
Rental income	$537,002	$444,384
Fee and asset management	2,160	2,064
Total revenues	539,162	446,448
EXPENSES		
Property and maintenance	107,083	92,952
Real estate taxes and insurance	68,647	52,440
Property management	22,489	23,339
Fee and asset management	1,646	1,307
Depreciation	205,272	148,246
General and administrative	16,496	13,688
Total expenses	421,633	331,972
Operating income	117,529	114,476
Interest and other income	256	169
Other expenses	(2,564)	(5,807)
Merger expenses	(19,092)	(1,149)
Interest:		
Expense incurred, net	(195,685)	(118,011)
Amortization of deferred financing costs	(7,023)	(2,934)
(Loss) before income and other taxes, (loss) from investments in unconsolidated entities and discontinued operations	(106,579)	(13,256)
Income and other tax (expense) benefit	(407)	(170)
(Loss) from investments in unconsolidated entities due to operations	(355)	—
(Loss) from investments in unconsolidated entities due to merger expenses	(46,011)	—
(Loss) from continuing operations	(153,352)	(13,426)
Discontinued operations, net	1,214,386	165,593
Net income	1,061,034	152,167
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(25)	(450)
Net income attributable to controlling interests	$1,061,009	$151,717
ALLOCATION OF NET INCOME:		
Preference Units	$1,036	$3,466
General Partner	$1,016,650	$141,833
Limited Partners	43,323	6,418
Net income available to Units	$1,059,973	$148,251
Earnings per Unit – basic:		
(Loss) from continuing operations available to Units	$(0.44)	$(0.06)
Net income available to Units	$3.01	$0.47

Weighted average Units outstanding	351,255	312,011
Earnings per Unit – diluted:		
(Loss) from continuing operations available to Units	$(0.44)	$(0.06)
Net income available to Units	$3.01	$0.47
Weighted average Units outstanding	351,255	312,011
Distributions declared per Unit outstanding	$0.40	$0.3375

See accompanying notes

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

	Quarter Ended March 31,	
	2013	2012
Comprehensive income:		
Net income	$1,061,034	$152,167
Other comprehensive income (loss):		
Other comprehensive income – derivative instruments:		
Unrealized holding gains arising during the period	2,814	3,218
Losses reclassified into earnings from other comprehensive income	8,272	3,563
Other comprehensive income (loss) – other instruments:		
Unrealized holding gains (losses) arising during the period	427	(36)
Other comprehensive (loss) – foreign currency:		
Currency translation adjustments arising during the period	(873)	—
Other comprehensive income	10,640	6,745
Comprehensive income	1,071,674	158,912
Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties	(25)	(450)
Comprehensive income attributable to controlling interests	$1,071,649	$158,462

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

	Quarter Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,061,034	$152,167
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	220,038	175,108
Amortization of deferred financing costs	7,176	2,974
Amortization of above/below market leases	292	—
Amortization of discounts and premiums on debt	(7,071)	(1,567)
Amortization of deferred settlements on derivative instruments	8,139	3,429
Write-off of pursuit costs	2,533	1,034
Loss from investments in unconsolidated entities	46,366	—
Distributions from unconsolidated entities – return on capital	257	89
Net (gain) on sales of discontinued operations	(1,198,922)	(132,956)
Unrealized (gain) on derivative instruments	—	(1)
Compensation paid with Company Common Shares	10,236	8,968
Changes in assets and liabilities:		
Decrease (increase) in deposits – restricted	1,733	(2,768)
Decrease (increase) in mortgage deposits	1,651	(782)
Decrease in other assets	15,220	12,262
Increase in accounts payable and accrued expenses	47,498	41,616
Increase (decrease) in accrued interest payable	1,039	(8,632)
(Decrease) in other liabilities	(18,437)	(16,878)
(Decrease) increase in security deposits	(5,268)	182
Net cash provided by operating activities	193,514	234,245
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Archstone, net of cash acquired	(4,000,643)	—
Investment in real estate – acquisitions	—	(183,112)
Investment in real estate – development/other	(65,232)	(35,876)
Improvements to real estate	(26,599)	(30,225)
Additions to non-real estate property	(1,942)	(2,229)
Interest capitalized for real estate and unconsolidated entities under development	(8,413)	(4,996)
Proceeds from disposition of real estate, net	2,955,398	204,272
Investments in unconsolidated entities	(283)	(2,396)
Decrease (increase) in deposits on real estate acquisitions and investments, net	101,668	(27,386)
Decrease in mortgage deposits	4,473	83
Net cash (used for) investing activities	(1,041,573)	(81,865)

See accompanying notes

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

	Quarter Ended March 31,	
	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan and bond acquisition costs	$(13,869)	$(4,227)
Mortgage deposits	(632)	(37)
Mortgage notes payable:		
Restricted cash	—	209
Lump sum payoffs	(584,020)	(47,800)
Scheduled principal repayments	(3,244)	(3,970)
Notes, net:		
Proceeds	750,000	—
Lump sum payoffs	—	(253,858)
Lines of credit:		
Proceeds	5,850,000	—
Repayments	(5,455,000)	—
Proceeds from sale of OP Units	—	152,058
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	1,763	4,210
Proceeds from exercise of EQR options	7,174	18,938
Payment of offering costs	(406)	(1,887)
Contributions – Noncontrolling Interests – Partially Owned Properties	3,299	921
Contributions – Limited Partners	3	5
Distributions:		
OP Units – General Partner	(249,330)	(168,350)
Preference Units	—	(3,466)
OP Units – Limited Partners	(10,837)	(7,657)
Noncontrolling Interests – Partially Owned Properties	(3,345)	(1,762)
Net cash provided by (used for) financing activities	291,556	(316,673)
Net (decrease) in cash and cash equivalents	(556,503)	(164,293)
Cash and cash equivalents, beginning of period	612,590	383,921
Cash and cash equivalents, end of period	$56,087	$219,628

See accompanying notes

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

	Quarter Ended March 31, 2013	2012
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$182,356	$125,435
Net cash paid for income and other taxes	$483	$560
Amortization of deferred financing costs:		
Investment in real estate, net	$(1)	$—
Deferred financing costs, net	$7,177	$2,974
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(7,557)	$(2,153)
Notes, net	$486	$586
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(133)	$(134)
Accumulated other comprehensive income	$8,272	$3,563
Loss from investments in unconsolidated entities		
Investments in unconsolidated entities	$42,213	$—
Other liabilities	$4,153	$—
Unrealized (gain) on derivative instruments:		
Other assets	$1,471	$1,300
Mortgage notes payable	$—	$(588)
Notes, net	$(1,471)	$(712)
Other liabilities	$(2,814)	$(3,219)
Accumulated other comprehensive income	$2,814	$3,218
Acquisition of Archstone, net of cash acquired:		
Investment in real estate, net	$(8,707,967)	$—
Investments in unconsolidated entities	x$(218,197)	$—
Deposits – restricted	x$(474)	$—
Escrow deposits – mortgage	x$(35,898)	$—
Deferred financing costs, net	x$(25,780)	$—
Other assets	$(204,523)	$—
Mortgage notes payable	x$3,076,876	$—
Accounts payable and accrued expenses	$17,593	$—
Accrued interest payable	x$11,256	$—
Other liabilities	$117,391	$—
Security deposits	x$10,949	$—
Issuance of OP Units	$1,929,868	$—
Noncontrolling Interests – Partially Owned Properties	$28,263	$—
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(8,089)	$(4,827)
Investments in unconsolidated entities	$(324)	$(169)
Other:		
Receivable on sale of OP Units	$—	$28,457
Foreign currency translation adjustments	$873	$—

See accompanying notes

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

	Quarter Ended March 31, 2013
PARTNERS' CAPITAL	
PREFERENCE UNITS	
Balance, beginning of year	$50,000
Balance, end of period	$50,000
GENERAL PARTNER	
Balance, beginning of year	$7,432,961
OP Unit Issuance:	
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	684
Issuance of OP Units	1,929,868
Exercise of EQR share options	7,174
EQR's Employee Share Purchase Plan (ESPP)	1,763
Share-based employee compensation expense:	
EQR restricted shares	3,052
EQR share options	3,367
EQR ESPP discount	311
Offering costs	(406)
Net income available to Units – General Partner	1,016,650
OP Units – General Partner distributions	(144,015)
Supplemental Executive Retirement Plan (SERP)	(2,219)
Change in market value of Redeemable Limited Partners	50,109
Adjustment for Limited Partners ownership in Operating Partnership	(42,863)
Balance, end of period	$10,256,436
LIMITED PARTNERS	
Balance, beginning of year	$159,606
Issuance of LTIP Units to Limited Partners	3
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(684)
Equity compensation associated with Units – Limited Partners	4,304
Net income available to Units – Limited Partners	43,323
Units – Limited Partners distributions	(5,691)
Change in carrying value of Redeemable Limited Partners	(38,494)
Adjustment for Limited Partners ownership in Operating Partnership	42,863
Balance, end of period	$205,230
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(193,148)
Accumulated other comprehensive income – derivative instruments:	
Unrealized holding gains arising during the period	2,814
Losses reclassified into earnings from other comprehensive income	8,272
Accumulated other comprehensive income – other instruments:	

Unrealized holding gains arising during the period	427
Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(873)
Balance, end of period	$(182,508)

See accompanying notes

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

	Quarter Ended March 31, 2013
NONCONTROLLING INTERESTS	
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$77,688
Net income attributable to Noncontrolling Interests	25
Contributions by Noncontrolling Interests	3,299
Acquisition of Archstone	28,263
Distributions to Noncontrolling Interests	(3,345)
Balance, end of period	$105,930

See accompanying notes

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

1. Business

Equity Residential ("EQR"), a Maryland real estate investment trust ("REIT") formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top United States growth markets. ERP Operating Limited Partnership ("ERPOP"), an Illinois limited partnership, was formed in May 1993 to conduct the multifamily residential property business of Equity Residential. EQR has elected to be taxed as a REIT. References to the "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the "Operating Partnership" mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. Unless otherwise indicated, the notes to consolidated financial statements apply to both the Company and the Operating Partnership.
EQR is the general partner of, and as of March 31, 2013 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.
As of March 31, 2013, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 416 properties located in 13 states and the District of Columbia consisting of 118,778 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	390	108,579
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	20	3,917
Partially Owned Properties – Unconsolidated	1	336
Military Housing	2	5,093
	416	118,778

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period financial statements in order to conform to the current year presentation. Operating results for the quarter ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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

The balance sheets at December 31, 2012 have been derived from the audited financial statements at that date but do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company’s and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2012.

Real Estate Assets and Depreciation of Investment in Real Estate

Effective for business combinations on or after January 1, 2009, an acquiring entity is required to recognize all assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. In addition, an acquiring entity is required to expense acquisition-related costs as incurred, value noncontrolling interests at fair value at the acquisition date and expense restructuring costs associated with an acquired business.

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of 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 fair value of the tangible and intangible assets acquired. The Company allocates the purchase price of acquired real estate to various components as follows:

- Land – Based on actual purchase price adjusted to fair value (as necessary) if acquired separately or market research/comparables if acquired with an operating property.
- Furniture, Fixtures and Equipment – Ranges between $3,000 and $13,000 per apartment unit acquired as an estimate of the fair value of the appliances and fixtures inside an apartment unit. The per-apartment unit amount applied depends on the type of apartment building acquired. Depreciation is calculated on the straight-line method over an estimated useful life of five to ten years.
- Lease Intangibles – The Company considers the value of acquired in-place leases and above/below market leases and the amortization period is the average remaining term of each respective acquired lease.
- 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 fair value determined on an “as-if vacant” basis. Depreciation is calculated on the straight-line method over an estimated useful life of thirty years.
- Site Improvements – Based on replacement cost. Depreciation is calculated on the straight-line method over an estimated useful life of eight years.
- Long-Term Debt – The Company calculates the fair value by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings.

Income and Other Taxes

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

Deferred tax assets and liabilities applicable to the TRS are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period enacted. The Company's deferred tax assets are generally the result of tax affected amortization of goodwill, differing depreciable lives on capitalized assets and the timing of expense recognition for certain accrued liabilities. As of March 31, 2013, the Company has recorded a deferred tax asset of approximately $36.1 million, which is fully offset by a valuation allowance due to the uncertainty in forecasting future TRS taxable income.

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Other

The Company is the controlling partner in various consolidated partnerships owning 20 properties and 3,917 apartment units and various completed and uncompleted development properties having a noncontrolling interest book value of $105.9 million at March 31, 2013. The Company is required to make certain disclosures regarding noncontrolling interests in consolidated limited-life subsidiaries. Of the consolidated entities described above, the Company is the controlling partner in limited-life partnerships owning six properties having a noncontrolling interest deficit balance of $8.0 million. These six partnership agreements contain provisions that require the partnerships to be liquidated through the sale of their assets upon reaching a date specified in each respective partnership agreement. The Company, as controlling partner, has an obligation to cause the property owning partnerships to distribute the proceeds of liquidation to the Noncontrolling Interests in these Partially Owned Properties only to the extent that the net proceeds received by the partnerships from the sale of their assets warrant a distribution based on the partnership agreements. As of March 31, 2013, the Company estimates the value of Noncontrolling Interest distributions for these six properties would have been approximately $35.5 million (“Settlement Value”) had the partnerships been liquidated. This Settlement Value is based on estimated third party consideration realized by the partnerships upon disposition of the six Partially Owned Properties and is net of all other assets and liabilities, including yield maintenance on the mortgages encumbering the properties, that would have been due on March 31, 2013 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.

Effective January 1, 2012, companies are required to separately disclose the amounts and reasons for any transfers of assets and liabilities into and out of Level 1 and Level 2 of the fair value hierarchy. For fair value measurements using significant unobservable inputs (Level 3), companies are required to disclose quantitative information about the significant unobservable inputs used for all Level 3 measurements and a description of the Company's valuation processes in determining fair value. In addition, companies are required to provide a qualitative discussion about the sensitivity of recurring Level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs. Companies are also required to disclose information about when the current use of a non-financial asset measured at fair value differs from its highest and best use and the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. This does not have a material effect on the Company's consolidated results of operations or financial position. See Notes 4 and 9 for further discussion.

Effective January 1, 2013, companies are required to report, in one place, information about reclassifications out of accumulated other comprehensive income ("AOCI"). Companies will also be required to report changes in AOCI balances. For significant items reclassified out of AOCI to net income in their entirety in the same reporting period, reporting is required about the effect of the reclassifications on the respective line items in the statement where net income is presented. For items that are not reclassified to net income in their entirety in the same reporting period, a cross reference to other disclosures currently required under US GAAP is required in the notes. This does not have a material effect on the Company's consolidated results of operations or financial position. See Note 9 for further discussion.

3. Equity, Capital and Other Interests

Equity and Redeemable Noncontrolling Interests of Equity Residential

The following tables present the changes in the Company’s issued and outstanding Common Shares and “Units” (which includes OP Units and Long-Term Incentive Plan (“LTIP”) Units) for the quarter ended March 31, 2013:

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	2013	
Common Shares		
Common Shares outstanding at January 1,	325,054,654	
Common Shares Issued:		
Conversion of OP Units	23,964	
Issuance of Common Shares	34,468,085	
Exercise of share options	268,547	
Employee Share Purchase Plan (ESPP)	37,704	
Restricted share grants, net	210,721	
Common Shares outstanding at March 31,	360,063,675	
Units		
Units outstanding at January 1,	13,968,758	
LTIP Units, net	281,931	
Conversion of OP Units to Common Shares	(23,964	)
Units outstanding at March 31,	14,226,725	
Total Common Shares and Units outstanding at March 31,	374,290,400	
Units Ownership Interest in Operating Partnership	3.8	%

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

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

The Noncontrolling Interests – Operating Partnership Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Noncontrolling Interests – Operating Partnership are differentiated and referred to as "Redeemable Noncontrolling Interests – Operating Partnership". Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer's control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Noncontrolling Interests – Operating Partnership are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Noncontrolling Interests – Operating Partnership Units that are classified in permanent equity at March 31, 2013 and December 31, 2012.

The carrying value of the Redeemable Noncontrolling Interests – Operating Partnership is allocated based on the number of Redeemable Noncontrolling Interests – Operating Partnership Units in proportion to the number of Noncontrolling Interests – Operating Partnership Units in total. Such percentage of the total carrying value of Units which is ascribed to the Redeemable Noncontrolling Interests – Operating Partnership is then adjusted to the greater of carrying value or fair market value as described above. As of March 31, 2013, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately $386.8 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Noncontrolling Interests – Operating Partnership Units.

The following table presents the change in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership for the quarter ended March 31, 2013 (amounts in thousands):

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	2013
Balance at January 1,	$398,372
Change in market value	(50,109)
Change in carrying value	38,494
Balance at March 31,	$386,757

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

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

The following table presents the Company's issued and outstanding Preferred Shares as of March 31, 2013 and December 31, 2012:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Share (2)	March 31, 2013	December 31, 2012
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized:				
8.29% Series K Cumulative Redeemable Preferred; liquidation value $50 per share; 1,000,000 shares issued and outstanding at March 31, 2013 and December 31, 2012	12/10/26	$4.145	$50,000	$50,000
			$50,000	$50,000

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

(2) Dividends on Preferred Shares are payable quarterly.

Capital and Redeemable Limited Partners of ERP Operating Limited Partnership

The following tables present the changes in the Operating Partnership's issued and outstanding Units and in the limited partners' Units for the quarter ended March 31, 2013:

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	2013
General and Limited Partner Units	
General and Limited Partner Units outstanding at January 1,	339,023,412
Issued to General Partner:	
Issuance of OP Units	34,468,085
Exercise of EQR share options	268,547
EQR’s Employee Share Purchase Plan (ESPP)	37,704
EQR's restricted share grants, net	210,721
Issued to Limited Partners:	
LTIP Units, net	281,931
General and Limited Partner Units outstanding at March 31,	374,290,400
Limited Partner Units	
Limited Partner Units outstanding at January 1,	13,968,758
Limited Partner LTIP Units, net	281,931
Conversion of Limited Partner OP Units to EQR Common Shares	(23,964)
Limited Partner Units outstanding at March 31,	14,226,725
Limited Partner Units Ownership Interest in Operating Partnership	3.8%

The Limited Partners of the Operating Partnership as of March 31, 2013 include various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of LTIP Units. Subject to certain exceptions (including the “book-up” requirements of LTIP Units), Limited Partners may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Limited Partner Units (including redeemable interests) is allocated based on the number of Limited Partner Units in total in proportion to the number of Limited Partner Units in total plus the number of General Partner Units. Net income is allocated to the Limited Partner Units based on the weighted average ownership percentage during the period.

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

The Limited Partner Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Limited Partner Units are differentiated and referred to as “Redeemable Limited Partner Units”. Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer's control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Limited Partner Units are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Limited Partner Units that are classified in permanent equity at March 31, 2013 and December 31, 2012.

The carrying value of the Redeemable Limited Partner Units is allocated based on the number of Redeemable Limited Partner Units in proportion to the number of Limited Partner Units in total. Such percentage of the total carrying value of Limited Partner Units which is ascribed to the Redeemable Limited Partner Units is then adjusted to the greater of carrying value or fair market value as described above. As of March 31, 2013, the Redeemable Limited Partner Units have a redemption value of approximately $386.8 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Limited Partner Units.

The following table presents the change in the redemption value of the Redeemable Limited Partners for the quarter ended March 31, 2013 (amounts in thousands):

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	2013
Balance at January 1,	$398,372
Change in market value	(50,109)
Change in carrying value	38,494
Balance at March 31,	$386,757

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

The following table presents the Operating Partnership's issued and outstanding "Preference Units" as of March 31, 2013 and December 31, 2012:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Unit (2)	March 31, 2013	December 31, 2012
Preference Units:				
8.29% Series K Cumulative Redeemable Preference Units; liquidation value $50 per unit; 1,000,000 units issued and outstanding at March 31, 2013 and December 31, 2012	12/10/26	$4.145	$50,000	$50,000
			$50,000	$50,000

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

(2) Dividends on Preference Units are payable quarterly.

Other

On February 27, 2013, the Company issued 34,468,085 Common Shares to an affiliate of Lehman Brothers Holdings Inc. as partial consideration for the portion of the Archstone Portfolio acquired by the Company (as discussed in Note 4 below). The shares had a total value of $1.9 billion based on the February 27, 2013 closing price of EQR Common Shares of $55.99 per share. Concurrent with this transaction, ERPOP issued 34,468,085 OP Units to EQR. On March 7, 2013, EQR filed a shelf registration statement relating to the resale of these shares by the selling shareholders.

On November 28, 2012, EQR priced the issuance of 21,850,000 Common Shares at a price of $54.75 per share for total consideration of approximately $1.2 billion, after deducting underwriting commissions of $35.9 million. Concurrent with this transaction, ERPOP issued 21,850,000 OP Units to EQR.

In September 2009, the Company announced the establishment of an At-The-Market ("ATM") share offering program which would allow EQR to sell up to 17.0 million Common Shares from time to time over the next three years (later increased by 5.7 million Common Shares and extended to February 2014) into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). EQR has not issued any shares under this program since September 14, 2012. EQR has 6.0 million Common Shares remaining available for issuance under the ATM program as of March 31, 2013.

EQR has a share repurchase program authorized by the Board of Trustees under which it has authorization to repurchase up to $464.6 million of its shares as of March 31, 2013. No shares were repurchased during the quarter ended March 31, 2013.

See Note 6 for a discussion of the Noncontrolling Interests assumed in conjunction with the acquisition of Archstone.

4. Real Estate

The following table summarizes the carrying amounts for the Company’s investment in real estate (at cost) as of March 31, 2013 and December 31, 2012 (amounts in thousands):

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	March 31, 2013	December 31, 2012
Land	$6,319,353	$4,554,912
Depreciable property:		
Buildings and improvements	18,222,448	14,135,740
Furniture, fixtures and equipment	1,234,836	1,343,765
In-Place lease intangibles	508,951	232,439
Projects under development:		
Land	224,562	210,632
Construction-in-progress	276,267	177,118
Land held for development:		
Land	527,735	294,868
Construction-in-progress	49,941	58,955
Investment in real estate	27,364,093	21,008,429
Accumulated depreciation	(4,434,775)	(4,912,221)
Investment in real estate, net	$22,929,318	$16,096,208

During the quarter ended March 31, 2013, the Company, AvalonBay Communities, Inc. ("AVB") and certain of their respective subsidiaries completed their previously announced acquisition (the "Archstone Acquisition") from Archstone Enterprise LP ("Enterprise") (which subsequently changed its name to Jupiter Enterprise LP) and its affiliates, of all of the assets of Enterprise (including interests in various entities affiliated with Enterprise), constituting a portfolio of apartment properties and other assets (the "Archstone Portfolio"). See further discussion below for details of the transaction. The Company did not acquire any additional rental properties or land parcels during the quarter ended March 31, 2013.

Archstone Acquisition

On February 27, 2013, the Company acquired assets representing approximately 60% of the Archstone Portfolio and AVB acquired assets representing approximately 40% of the Archstone Portfolio. The Archstone Portfolio consisted principally of high-quality apartment properties in major markets in the United States which is in line with the Company's investing strategies. Pursuant to the Archstone transaction, the Company acquired directly or indirectly, 71 wholly owned, stabilized properties consisting of 20,160 apartment units, one partially owned and consolidated stabilized property consisting of 432 apartment units, one partially owned and unconsolidated stabilized property consisting of 336 apartment units, three consolidated master-leased properties consisting of 853 apartment units, four projects in various stages of construction (two consolidated and two unconsolidated) for 964 apartment units and fourteen land sites for approximately $9.0 billion. During the quarter ended March 31, 2013, the Company recorded revenues and net operating income ("NOI") of $52.6 million and $36.2 million, respectively, from the acquired assets.

The Company owns the building and improvements and leases the land underlying the improvements under long-term ground leases that expire beginning in 2042 and running through 2103 for nine of the operating properties acquired and discussed above. These properties are consolidated and reflected as real estate assets while the ground leases are accounted for as operating leases. The Company also leases the three master-leased properties discussed above to third party operators and earns monthly net rental income.

The Company is accounting for the acquisition under the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"), and the initial accounting for this business combination is substantially complete but subject to further adjustment as certain information becomes available (see further discussion below). The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed, which the Company determined using Level 1, Level 2 and Level 3 inputs (amounts in thousands):

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Land	$2,239,000
Depreciable property:	
Buildings and improvements	5,833,258
Furniture, fixtures and equipment	61,470
In-Place lease intangibles	304,830
Projects under development	36,583
Land held for development	236,918
Investments in unconsolidated entities	189,244
Other assets	196,310
Other liabilities	(111,170)
Net assets acquired	$8,986,443

The consideration paid by the Company in connection with the Archstone Acquisition consisted of cash of approximately $4.0 billion (inclusive of $2.0 billion of Archstone secured mortgage principal paid off in conjunction with the closing), 34,468,085 Common Shares (which shares had a total value of $1.9 billion based on the February 27, 2013 closing price of EQR common shares of $55.99 per share) issued to the seller and the assumption of approximately $3.1 billion of mortgage debt (inclusive of a net mark-to-market premium of $127.9 million) and approximately 60% of all of the other assets and liabilities related to the Archstone Portfolio. The cash consideration was funded with proceeds from the December 2012 public equity offering, the asset sales discussed below, the Company's new $750.0 million senior unsecured delayed draw term loan facility and the Company's revolving credit facility.

The allocation of the fair values of the assets acquired and liabilities assumed is subject to further adjustment due primarily to information not readily available at the acquisition date and final purchase price settlement with the sellers and AVB in accordance with the terms of the purchase agreement. The Company's assessment of the fair values and the allocation of the purchase price to the identified tangible and intangible assets is its current best estimate of fair value.

The fair values of investment in real estate were determined using internally developed models that were based on market assumptions and comparable sales data as well as external valuations performed by unrelated third parties. The market assumptions used as inputs to the Company’s fair value model include construction costs, leasing assumptions, growth rates, discount rates, terminal capitalization rates and development yields. The Company uses data on its existing portfolio of properties and its recent acquisition and development properties, as well as similar market data from third party sources, when available, in determining these inputs (Level 2 and 3). The fair value of Noncontrolling Interests was calculated similar to the investment in real estate described above. The fair value of mortgage debt was calculated using indicative rates, leverage and coverage provided by lenders of similar loans (Level 2). The Common Shares issued to Lehman Brothers Holdings Inc. were valued using the quoted market price of Common Shares (Level 1).

The following table summarizes the acquisition date fair values of the above and below market ground and retail lease intangibles, which we determined using Level 2 and Level 3 inputs (in thousands):

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Description	Balance Sheet Location	Fair Value
Assets		
Ground lease intangibles – below market	Other Assets	$178,251
Retail lease intangibles – above market	Other Assets	2,310
Lease intangible assets		180,561
Accumulated amortization		(460)
Lease intangible assets, net		$180,101
Liabilities		
Ground lease intangibles – above market	Other Liabilities	$2,400
Retail lease intangibles – below market	Other Liabilities	8,040
Lease intangible liabilities		10,440
Accumulated amortization		(168)
Lease intangible liabilities, net		$10,272

During the quarter ended March 31, 2013, the Company amortized approximately $0.4 million of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statement of operations and approximately $0.1 million of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statement of operations.

The weighted average amortization period for above and below market ground lease intangibles and retail lease intangibles is 49.8 years and 5.3 years, respectively.

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

	2013	2014	2015	2016	2017	2018
Ground lease intangibles	$3,241	$4,321	$4,321	$4,321	$4,321	$4,321
Retail lease intangibles	(514)	(1,230)	(1,236)	(1,050)	(674)	(205)
Total	$2,727	$3,091	$3,085	$3,271	$3,647	$4,116

As of March 31, 2013, the Company has incurred Archstone-related expenses of approximately $86.0 million, of which approximately $13.5 million of this total was financing-related and approximately $72.5 million was merger costs. During the quarter ended March 31, 2013, the Company expensed $19.1 million of direct merger costs primarily related to investment banking and legal/accounting fees, which were included in merger expenses in the accompanying consolidated statements of operations, and $46.0 million of indirect merger costs related to severance obligations and retention bonuses through our 60% interest in an unconsolidated joint venture with AVB, which were included in (loss) from investments in unconsolidated entities due to merger expenses in the accompanying consolidated statements of operations. The Company also expensed $2.5 million of financing-related costs, which were included in interest expense in the accompanying consolidated statements of operations.

Unaudited Pro Forma Financial Information

Equity Residential

The following table illustrates the effect on net income, earnings per share – basic and earnings per share – diluted as if the Company had consummated the Archstone Acquisition as of January 1, 2012:

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	Quarter Ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Total revenues	$638,499	$586,173
(Loss) from continuing operations (2)	(34,473)	(149,998)
Discontinued operations, net	1,213,615	166,364
Net income	1,179,142	16,366
Net income available to Common Shares	1,130,671	13,068
Earnings per share - basic:		
Net income available to Common Shares	$3.15	$0.04
Weighted average Common Shares outstanding (1)	359,362	355,123
Earnings per share - diluted (2):		
Net income available to Common Shares	$3.15	$0.04
Weighted average Common Shares outstanding (1)	359,362	355,123

(1) Includes a weighted average adjustment for Common Shares issued to the public in December 2012 and to an affiliate of Lehman Brothers Holdings Inc. in February 2013 as partial consideration for the Archstone Acquisition.

(2) Potential common shares issuable from the assumed conversion of OP Units and the exercise/vesting of long-term compensation shares/units are automatically anti-dilutive and therefore excluded from the diluted earnings per share calculation as the Company had a pro forma loss from continuing operations for the quarters ended March 31, 2013 and 2012.

ERP Operating Limited Partnership

The following table illustrates the effect on net income, earnings per Unit – basic and earnings per Unit – diluted as if the Operating Partnership had consummated the Archstone Acquisition as of January 1, 2012:

	Quarter Ended March 31,	
	2013	2012
	(In thousands, except per Unit amounts)	
Total revenues	$638,499	$586,173
(Loss) from continuing operations (2)	(34,473)	(149,998)
Discontinued operations, net	1,213,615	166,364
Net income	1,179,142	16,366
Net income available to Units	1,178,887	13,659
Earnings per Unit - basic:		
Net income available to Units	$3.15	$0.04
Weighted average Units outstanding (1)	373,085	368,329
Earnings per Unit - diluted (2):		
Net income available to Units	$3.15	$0.04
Weighted average Units outstanding (1)	373,085	368,329

(1) Includes a weighted average adjustment for Common Shares issued to the public in December 2012 and to an affiliate of Lehman Brothers Holdings Inc. in February 2013 as partial consideration for the Archstone Acquisition. Concurrent with these transactions, ERPOP issued the same number of OP Units to EQR.

(2) Potential Units issuable from the assumed exercise/vesting of the Company's long-term compensation shares/units are automatically anti-dilutive and therefore excluded from the diluted earnings per Unit calculation as the Operating Partnership had a pro forma loss from continuing operations for the quarters ended March 31, 2013 and 2012.

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For the quarters ended March 31, 2013 and 2012, acquisition costs of $19.1 million and $1.1 million, respectively, and severance/retention and other costs of $44.8 million and none, respectively, related to the Archstone Acquisition are not expected to have a continuing impact on the Company's financial results and therefore have been excluded from these pro forma results. The pro forma results also do not include the impact of any synergies or lower borrowing costs that the Company has or may achieve as a result of the acquisition or any strategies that management has or may consider in order to continue to efficiently manage the Company's operations, nor do they give pro forma effect to any other acquisitions, dispositions or capital markets transactions (excluding the equity offering in December 2012 which proceeds were used for the Archstone Acquisition) that the Company completed during the periods presented. These pro forma results are not necessarily indicative of the operating results that would have been obtained had the Archstone Acquisition occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

During the quarter ended March 31, 2013, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Rental Properties – Consolidated	63	18,452	$2,975,187
Total	63	18,452	$2,975,187

The Company recognized a net gain on sales of discontinued operations of approximately $1.2 billion on the above sales.

5. Commitments to Acquire/Dispose of Real Estate

In addition to the property and land parcel that were subsequently acquired as discussed in Note 14, the Company has entered into an agreement to acquire the following (purchase price in thousands):

	Properties	Apartment Units	Purchase Price
Land Parcel (one)	—	—	$12,500
Total	—	—	$12,500

In addition to the properties that were subsequently disposed of as discussed in Note 14, the Company has entered into separate agreements to dispose of the following (sales price in thousands):

	Properties	Apartment Units	Sales Price
Rental Properties	7	1,566	$191,715
Land Parcels (two)	—	—	22,900
Other (1)	—	—	32,500
Total	7	1,566	$247,115

(1) Represents a 97,000 square foot commercial building adjacent to our Harbor Steps apartment property in downtown Seattle that was acquired in 2011.

The closings of these pending transactions are subject to certain conditions and restrictions, therefore, there can be no assurance that these transactions will be consummated or that the final terms will not differ in material respects from those summarized in the preceding paragraphs.

6. Investments in Partially Owned Entities

The Company has co-invested in various properties with unrelated third parties which are either consolidated or accounted for under the equity method of accounting (unconsolidated). The following tables and information summarize the Company's investments in partially owned entities as of March 31, 2013 (amounts in thousands except for project and apartment unit amounts):

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	Consolidated Development Projects Held for and/or Under Development	Operating	Total	Unconsolidated Development Projects Held for and/or Under Development	Operating	Total
Total projects (1)	—	20	20	—	1	1
Total apartment units (1)	—	3,917	3,917	—	336	336
Balance sheet information at 3/31/13 (at 100%):						
ASSETS						
Investment in real estate	$219,252	$644,208	$863,460	$280,326	$55,017	$335,343
Accumulated depreciation	—	(160,227)	(160,227)	—	(540)	(540)
Investment in real estate, net	219,252	483,981	703,233	280,326	54,477	334,803
Cash and cash equivalents	4,022	12,437	16,459	2,607	1,589	4,196
Investments in unconsolidated entities	—	56,253	56,253	—	—	—
Deposits – restricted	43,616	24,582	68,198	—	—	—
Deferred financing costs, net	—	2,632	2,632	57	—	57
Other assets	5,781	26,700	32,481	346	1,336	1,682
Total assets	$272,671	$606,585	$879,256	$283,336	$57,402	$340,738
LIABILITIES AND EQUITY/CAPITAL						
Mortgage notes payable	$—	$343,218	$343,218	$117,688	$30,550	$148,238
Accounts payable & accrued expenses	1,788	2,201	3,989	10,127	—	10,127
Accrued interest payable	—	1,195	1,195	460	—	460
Other liabilities	1,224	1,168	2,392	242	1,681	1,923
Security deposits	—	1,765	1,765	47	—	47
Total liabilities	3,012	349,547	352,559	128,564	32,231	160,795
Noncontrolling Interests - Partially Owned Properties/Partners' equity	89,888	16,042	105,930	114,909	20,137	135,046
Company equity/General and Limited Partners' Capital	179,771	240,996	420,767	39,863	5,034	44,897
Total equity/capital	269,659	257,038	526,697	154,772	25,171	179,943
Total liabilities and equity/capital	$272,671	$606,585	$879,256	$283,336	$57,402	$340,738
Debt – Secured (2):						
Company/Operating Partnership Ownership (3)	$—	$266,228	$266,228	$39,120	$6,110	$45,230
Noncontrolling Ownership	—	76,990	76,990	78,568	24,440	103,008
Total (at 100%)	$—	$343,218	$343,218	$117,688	$30,550	$148,238

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	Consolidated Development Projects Held for and/or Under Development	Operating	Total	Unconsolidated Development Projects Held for and/or Under Development	Operating	Total
Operating information for the quarter ended 3/31/13 (at 100%):						
Operating revenue	$—	$17,485	$17,485	$219	$453	$672
Operating expenses	52	5,602	5,654	256	185	441
Net operating (loss) income	(52)	11,883	11,831	(37)	268	231
Depreciation	—	6,094	6,094	—	540	540
General and administrative/other	122	13	135	—	—	—
Operating (loss) income	(174)	5,776	5,602	(37)	(272)	(309)
Interest and other income	1	3	4	—	—	—
Other expenses	(86)	—	(86)	—	(49)	(49)
Interest:						
Expense incurred, net	—	(2,854)	(2,854)	(16)	(87)	(103)
Amortization of deferred financing costs	—	(50)	(50)	—	—	—
(Loss) income before income and other taxes, (loss) from investments in unconsolidated entities and net gain on sales of discontinued operations	(259)	2,875	2,616	(53)	(408)	(461)
Income and other tax (expense) benefit	(11)	(39)	(50)	—	—	—
(Loss) from investments in unconsolidated entities	—	(97)	(97)	—	—	—
Net gain on sales of discontinued operations	—	2,807	2,807	—	—	—
Net (loss) income	$(270)	$5,546	$5,276	$(53)	$(408)	$(461)

(1) Project and apartment unit counts exclude all uncompleted development projects until those projects are substantially completed.
(2) All outstanding debt is non-recourse to the Company.
(3) Represents the Company’s/Operating Partnership’s current equity ownership interest.

Note: The above tables exclude the Company's interests in unconsolidated joint ventures entered into with AVB in connection with the Archstone transaction. These ventures own certain non-core Archstone assets that are held for sale and succeeded to certain residual Archstone liabilities, such as liability for various employment-related matters as well as responsibility for tax protection arrangements and third-party preferred interests in former

Archstone subsidiaries. The preferred interests have an aggregate liquidation value of $167.2 million at March 31, 2013. The ventures are owned 60% by the Company and 40% by AVB.

The Company is the controlling partner in various consolidated partnership properties and development properties having a noncontrolling interest book value of $105.9 million at March 31, 2013. The Company has identified one development partnership, consisting of a land parcel with a book value of $5.0 million, as a VIE. The Company does not have any unconsolidated VIEs.

On February 27, 2013, in conjunction with the Archstone Acquisition, the Company acquired interests in several joint ventures. Details of these interests follow by project:

Enclave at Wellington – This venture is currently developing certain land parcels into a 268 unit apartment building located in Wellington, Florida. The Company has a 95% equity interest with an initial basis of $26.2 million. Total project costs are expected to be approximately $50.0 million. The Company is the managing member, is responsible for constructing the project and its partner does not have substantive kick-out or participating rights. As a result, the entity is required to be consolidated on the Company's balance sheet.

East Palmetto Park – This venture was formed to ultimately develop certain land parcels into a 377 unit apartment building located in Boca Raton, Florida. The Company has a 90% equity interest with an initial basis of $20.2 million. The Company is the managing member, is responsible for constructing the project and its partner does not have substantive kick-out or participating rights. As a result, the entity is required to be consolidated on the Company's balance sheet.

Wisconsin Place – This venture was formed to develop and operate a mixed-use site located in Chevy Chase, Maryland consisting of residential, retail, office and accessory uses, including underground parking facilities. The Company has a 75% equity interest with an initial basis of $189.4 million in the 432 unit residential component. The Company is the managing member, was responsible for constructing the residential project and its partner does not have substantive kick-out or participating rights. As a result, the entity that owns the residential component of this mixed-use site is required to be consolidated on the Company's balance sheet. Such entity also retains an unconsolidated interest in an entity that owns the land underlying the project and owns and operates the parking facility. The initial fair value of this investment is $56.5 million. The Company does not have any ownership interest in the retail and office components.

San Norterra – This venture is currently developing certain land parcels into a 388 unit apartment building located in Phoenix, Arizona. The Company has an 85% equity interest with an initial basis of $16.9 million. Total project costs are approximately $56.3 million and construction is being partially funded with a loan that is guaranteed by the partner and non-recourse to the Company. The loan has a maximum debt commitment of $34.8 million and a current unconsolidated outstanding balance of $24.0 million; the loan bears interest at LIBOR plus 2.25% and matures January 6, 2015. The partner is the managing member and is developing the project. The Company does not have substantive kick-out or participating rights. As a result, the entity is unconsolidated and recorded using the equity method of accounting.

Waterton Tenside – This venture was formed to develop and operate a 336 unit apartment property located in Atlanta, Georgia. The Company has a 20% equity interest with an initial basis of $5.1 million. The partner is the managing member and developed the project. The project is encumbered by a non-recourse mortgage loan that has a current outstanding balance of $30.6 million, bears interest at 3.66% and matures December 1, 2018. The Company does not have substantive kick-out or participating rights. As a result, the entity is unconsolidated and recorded using the equity method of accounting.

Mission Gorge – This venture was formed to ultimately develop a land parcel into a 444 unit apartment building located in San Diego, California. The Company has a 23.17% equity interest with an initial basis of $4.1 million. While the Company is the managing member of the joint venture and will be responsible for constructing the project, the joint venture partner has significant participating rights and has active involvement in and oversight of the ongoing project. As a result, this entity is unconsolidated and recorded using the equity method of accounting.

Parkside at Emeryville – This venture is currently developing certain land parcels into a 180 unit apartment building located in Emeryville, California. The Company has a 5% equity interest with an initial basis of approximately $1.4 million. Total project costs are expected to be approximately $75.0 million and construction will be partially funded with a loan. The loan has a maximum debt commitment of $39.5 million and as of March 31, 2013 has not yet been drawn; the loan will bear interest at LIBOR plus 2.25% and matures August 14, 2015. The Company has given a repayment guaranty on the construction loan of 50% of the outstanding balance, up to a maximum of $19.7 million, and has given certain construction cost overrun guarantees. The partner is the managing member and is developing the project. The Company does not have substantive kick-out or participating rights. As a result, the entity is unconsolidated and recorded using the equity method of accounting.

On February 27, 2013, in connection with the Archstone Acquisition, subsidiaries of the Company and AVB entered into three limited liability company agreements (collectively, the “Residual JV”). The Residual JV owns certain non-core Archstone assets that are held for sale, such as interests in a German portfolio of apartment buildings, and succeeded to certain residual Archstone liabilities, such as liability for various employment-related matters. The Residual JV is owned 60% by the Company and 40% by AVB and the Company's initial investment was $105.2 million. The venture is managed by a Management Committee consisting of two members from each of the Company and AVB. Both partners have equal participation in the Management Committee and all significant participating rights are shared by both partners. As a result, the venture is unconsolidated and recorded using the equity method of accounting.

On February 27, 2013, in connection with the Archstone Acquisition, a subsidiary of the Company and AVB entered into a limited liability company agreement (the "Legacy JV"), through which they assumed obligations of Archstone in the form of preferred interests, some of which are governed by tax protection arrangements. At March 31, 2013, the preferred interests have an aggregate liquidation value of $167.2 million, our share of which is included in other liabilities in the accompanying consolidated balance sheets. Obligations of the venture are borne 60% by the Company and 40% by AVB. The venture is managed by a Management Committee consisting of two members from each of the Company and AVB. Both partners have equal participation in the Management Committee and all significant participating rights are shared by both partners. As a result, the venture is unconsolidated and recorded using the equity method of accounting.

In December 2011, the Company and Toll Brothers (NYSE: TOL) jointly acquired a vacant land parcel at 400 Park Avenue South in New York City. The Company's and Toll Brothers' allocated portions of the purchase price were approximately $76.1 million and $57.9 million, respectively. The Company is the managing member and Toll Brothers does not have substantive kick-out or participating rights. Until the core and shell of the building is complete, the building and land will be owned jointly and are required to be consolidated on the Company's balance sheet (not a VIE). Thereafter, the Company will solely own and control the

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rental portion of the building (floors 2-22) and Toll Brothers will solely own and control the for sale portion of the building (floors 23-40). Once the core and shell are complete, the Toll Brothers' portion of the property will be deconsolidated from the Company's balance sheet. The acquisition was financed through contributions by the Company and Toll Brothers of approximately $102.5 million and $75.7 million, respectively, which included the land purchase noted above, restricted deposits and taxes and fees. As of March 31, 2013, the Company's and Toll Brothers' consolidated contributions to the joint venture were approximately $212.7 million, of which Toll Brothers' noncontrolling interest balance totaled $87.3 million.

The Company admitted an 80% institutional partner to two separate entities/transactions (Nexus Sawgrass in December 2010 and Domain in August 2011), each owning a developable land parcel, in exchange for $40.1 million in cash and retained a 20% equity interest in both of these entities. These land parcels are now unconsolidated. Total project costs are approximately $232.8 million and construction will be predominantly funded with two separate long-term, non-recourse secured loans from the partner. Nexus Sawgrass has a maximum debt commitment of $48.7 million and a current unconsolidated outstanding balance of $36.3 million; the loan bears interest at 5.60% and matures January 1, 2021. Domain has a maximum debt commitment of $98.6 million and a current unconsolidated outstanding balance of $57.4 million; the loan bears interest at 5.75% and matures January 1, 2022. While the Company is the managing member of both of the joint ventures, is responsible for constructing both of the projects and has given certain construction cost overrun guarantees, the joint venture partner has significant participating rights and has active involvement in and oversight of the ongoing projects, neither of which is a VIE. The Company currently has no further funding obligations related to these projects.

7. Deposits – Restricted

The following table presents the Company’s restricted deposits as of March 31, 2013 and December 31, 2012 (amounts in thousands):

	March 31, 2013	December 31, 2012
Tax–deferred (1031) exchange proceeds	$37,882	$152,182
Earnest money on pending acquisitions	3,850	5,613
Restricted deposits on real estate investments	58,604	44,209
Resident security and utility deposits	45,870	44,199
Other	1,309	4,239
Totals	$147,515	$250,442

8. Debt

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. EQR guarantees the Operating Partnership’s $750.0 million senior unsecured delayed draw term loan facility and also guarantees the Operating Partnership’s revolving credit facility up to the maximum amount and for the full term of the facility.

Mortgage Notes Payable

As of March 31, 2013, the Company had outstanding mortgage debt of approximately $6.4 billion.

During the quarter ended March 31, 2013, the Company:

Repaid $587.3 million of mortgage loans;

Assumed $2.2 billion of mortgage debt held in two Fannie Mae loan pools, consisting of $1.2 billion collateralized by 16 properties with an interest rate of 6.256% and a maturity date of November 1, 2017 and $1.0 billion collateralized by 15 properties with an interest rate of 5.883% and a maturity date of November 1, 2014;
Assumed $346.6 million of tax-exempt bonds on four properties with interest rates ranging from SIFMA plus 0.860% to SIFMA plus 1.402% and maturity dates through November 15, 2036;
Assumed $339.0 million of other mortgage debt on three properties with fixed interest rates ranging from 0.100% to 5.240% and maturity dates through May 1, 2061;
Assumed $34.1 million of other mortgage debt on one property with a variable rate of LIBOR plus 1.75% and a maturity date of September 1, 2014; and
Recorded $127.9 million of net mark-to-market premiums on the mortgage debt described in the bullets above.

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The Company recorded approximately $71.4 million, $1.6 million and $4.1 million of prepayment penalties, write-offs of unamortized deferred financing costs and write-offs of unamortized discounts, respectively, during the quarter ended March 31, 2013 as additional interest expense related to debt extinguishment of mortgages.

As of March 31, 2013, the Company had $700.5 million of secured debt subject to third party credit enhancement.

As of March 31, 2013, scheduled maturities for the Company’s outstanding mortgage indebtedness were at various dates through May 1, 2061. At March 31, 2013, the interest rate range on the Company’s mortgage debt was 0.10% to 11.25%. During the quarter ended March 31, 2013, the weighted average interest rate on the Company’s mortgage debt was 4.86%.

Notes

As of March 31, 2013, the Company had outstanding unsecured notes of approximately $5.4 billion.

During the quarter ended March 31, 2013, the Company:

Entered into a new senior unsecured $750.0 million delayed draw term loan facility which was fully drawn on February 27, 2013 in connection with the Archstone acquisition. The maturity date of January 11, 2015 is subject to a one-year extension option exercisable by the Company. The interest rate on advances under the new term loan facility will generally be LIBOR plus a spread (currently 1.20%), which is dependent on the credit rating of the Company's long-term debt.

In November 2012, the Company obtained a commitment for a senior unsecured bridge loan facility in an aggregate principal amount not to exceed $2.5 billion to finance the acquisition of Archstone and to pay fees and expenses relating to this transaction. On January 11, 2013, the Company terminated this $2.5 billion bridge loan facility in connection with the execution of the term loan facility discussed above and the new revolving credit facility discussed below. The Company wrote off approximately $2.5 million of unamortized deferred financing costs during the quarter ended March 31, 2013 as additional interest expense.

As of March 31, 2013, scheduled maturities for the Company’s outstanding notes were at various dates through 2026. At March 31, 2013, the interest rate range on the Company’s notes was 1.18% to 7.57%. During the quarter ended March 31, 2013, the weighted average interest rate on the Company’s notes was 5.36%.

Lines of Credit

On January 11, 2013, the Company replaced its existing $1.75 billion facility with a new $2.5 billion unsecured revolving credit facility maturing April 1, 2018. The Company has the ability to increase available borrowings by an additional $500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the new credit facility will generally be LIBOR plus a spread (currently 1.05%) and the Company pays an annual facility fee (currently15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt. The existing $1.75 billion facility was scheduled to mature in July 2014.

As of March 31, 2013, the amount available on the credit facility was $2.07 billion (net of $36.7 million which was restricted/dedicated to support letters of credit and net of $395.0 million outstanding). During the quarter ended March 31, 2013, the weighted average interest rate was 1.24%.

9. 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.

The carrying values of the Company’s mortgage notes payable and unsecured debt (including its line of credit) were approximately $6.4 billion and $5.8 billion, respectively, at March 31, 2013. The fair values of the Company’s mortgage notes payable and unsecured debt (including its line of credit) were approximately $6.7 billion (Level 2) and $6.4 billion (Level 2), respectively, at March 31, 2013. The carrying values of the Company's mortgage notes payable and unsecured notes were approximately $3.9 billion and $4.6 billion, respectively, at December 31, 2012. The fair values of the Company’s mortgage notes

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payable and unsecured notes were approximately $4.3 billion (Level 2) and $5.2 billion (Level 2), respectively, at December 31, 2012. The fair values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, lines of credit, derivative instruments and investment securities), including cash and cash equivalents and other financial instruments, approximate their carrying or contract values.

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

The following table summarizes the Company's consolidated derivative instruments at March 31, 2013 (dollar amounts are in thousands):

	Fair Value Hedges (1)	Forward Starting Swaps (2)
Current Notional Balance	$300,000	$200,000
Lowest Possible Notional	$300,000	$200,000
Highest Possible Notional	$300,000	$200,000
Lowest Interest Rate	2.009 %	3.478 %
Highest Interest Rate	2.637 %	4.695 %
Earliest Maturity Date	2013	2023
Latest Maturity Date	2013	2023

(1) Fair Value Hedges – Converts outstanding fixed rate debt to a floating interest rate.
(2) Forward Starting Swaps – Designed to partially fix the interest rate in advance of a planned future debt issuance. These swaps have mandatory counterparty terminations in 2014, and are targeted to 2013 issuances.

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 developed internally by the Company that use as their basis readily observable market parameters (such as forward yield curves and credit default swap data). Employee holdings other than Common Shares within the supplemental executive retirement plan (the "SERP") are valued using quoted market prices for identical assets and are included in other assets and other liabilities on the consolidated balance sheet. The Company's investment securities are valued using quoted market prices or readily available market interest rate data. Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners are valued using the quoted market price of Common

Shares. The fair values disclosed for mortgage notes payable and unsecured debt (including its line of credit) were calculated using indicative rates provided by lenders of similar loans in the case of mortgage notes payable and the private unsecured debt (including its line of credit) and quoted market prices for each underlying issuance in the case of the public unsecured notes.

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 March 31, 2013 and December 31, 2012, respectively (amounts in thousands):

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Description	Balance Sheet Location	3/31/2013	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					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Fair Value Hedges	Other Assets	$53	$—	$53	$—
Supplemental Executive Retirement Plan	Other Assets	71,026	71,026	—	—
Available-for-Sale Investment Securities	Other Assets	2,640	2,640	—	—
Total		$73,719	$73,666	$53	$—
Liabilities					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Forward Starting Swaps	Other Liabilities	$41,236	$—	$41,236	$—
Supplemental Executive Retirement Plan	Other Liabilities	71,026	71,026	—	—
Total		$112,262	$71,026	$41,236	$—
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners	Mezzanine	$386,757	$—	$386,757	$—

Description	Balance Sheet Location	12/31/2012	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					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Fair Value Hedges	Other Assets	$1,524	$—	$1,524	$—
Supplemental Executive Retirement Plan	Other Assets	70,655	70,655	—	—
Available-for-Sale Investment Securities	Other Assets	2,214	2,214	—	—
Total		$74,393	$72,869	$1,524	$—

Liabilities					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Forward Starting Swaps	Other Liabilities	$ 44,050	$—	$44,050	$—
Supplemental Executive Retirement Plan	Other Liabilities	70,655	70,655	—	—
Total		$ 114,705	$70,655	$44,050	$—
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners	Mezzanine	$ 398,372	$—	$398,372	$—

The following tables provide a summary of the effect of fair value hedges on the Company's accompanying Consolidated Statements of Operations for the quarters ended March 31, 2013 and 2012, respectively (amounts in thousands):

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March 31, 2013 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	$(1,471)	Fixed rate debt	Interest expense	$1,471
Total		$(1,471)			$1,471

March 31, 2012 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	$(1,300)	Fixed rate debt	Interest expense	$1,300
Total		$(1,300)			$1,300

The following tables provide a summary of the effect of cash flow hedges on the Company's accompanying Consolidated Statements of Operations for the quarters ended March 31, 2013 and 2012, respectively (amounts in thousands):

	Effective Portion			Ineffective Portion	
March 31, 2013 Type of Cash Flow Hedge	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/Treasury Locks	$2,814	Interest expense	$(8,272)	N/A	$—
Total	$2,814		$(8,272)		$—

	Effective Portion			Ineffective Portion	
March 31, 2012 Type of Cash Flow Hedge	Amount of Gain/(Loss) Recognized in OCI	Location of Gain/(Loss) Reclassified from	Amount of Gain/(Loss) Reclassified from	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Reclassified from

	on Derivative	Accumulated OCI into Income	Accumulated OCI into Income		Accumulated OCI into Income
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Forward Starting Swaps/Treasury Locks	$3,218	Interest expense	$(3,563)	N/A	$—
Total	$3,218		$(3,563)		$—

As of March 31, 2013 and December 31, 2012, there were approximately $183.6 million and $194.7 million in deferred losses, net, included in accumulated other comprehensive (loss), respectively, related to derivative instruments. Based on the estimated fair values of the net derivative instruments at March 31, 2013, the Company may recognize an estimated $16.9 million of accumulated other comprehensive (loss) as additional interest expense during the twelve months ending March 31, 2014.

The following tables set forth the maturity, amortized cost, gross unrealized gains and losses, book/fair value and interest and other income of the various investment securities held as of March 31, 2013 and December 31, 2012, respectively (amounts in thousands):

March 31, 2013 Security	Maturity	Other Assets Amortized Cost	Unrealized Gains	Unrealized Losses	Book/ Fair Value	Interest and Other Income
Available-for-Sale Investment Securities	N/A	$675	$1,965	$—	$2,640	$—
Total		$675	$1,965	$—	$2,640	$—

December 31, 2012 Security	Maturity	Other Assets Amortized Cost	Unrealized Gains	Unrealized Losses	Book/ Fair Value	Interest and Other Income
Available-for-Sale Investment Securities	N/A	$675	$1,539	$—	$2,214	$—
Total		$675	$1,539	$—	$2,214	$—

10. Earning 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):

	Quarter Ended March 31,	
	2013	2012
Numerator for net income per share – basic and diluted (1):		
(Loss) from continuing operations	$(153,352)	$(13,426)
Allocation to Noncontrolling Interests – Operating Partnership, net	6,345	752
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(25)	(450)
Preferred distributions	(1,036)	(3,466)
(Loss) from continuing operations available to Common Shares, net of Noncontrolling Interests	(148,068)	(16,590)
Discontinued operations, net of Noncontrolling Interests	1,164,718	158,423
Numerator for net income per share – basic and diluted (1)	$1,016,650	$141,833
Denominator for net income per share – basic and diluted (1):		
Denominator for net income per share – basic and diluted (1)	337,532	298,805
Net income per share – basic	$3.01	$0.47
Net income per share – diluted	$3.01	$0.47
Net income per share – basic:		
(Loss) from continuing operations available to Common Shares, net of Noncontrolling Interests	$(0.439)	$(0.055)
Discontinued operations, net of Noncontrolling Interests	3.451	0.530
Net income per share – basic	$3.012	$0.475
Net income per share – diluted (1):		
(Loss) from continuing operations available to Common Shares	$(0.439)	$(0.055)
Discontinued operations, net	3.451	0.530
Net income per share – diluted	$3.012	$0.475

(1) Potential common shares issuable from the assumed conversion of OP Units and the exercise/vesting of long-term compensation shares/units are automatically anti-dilutive and therefore excluded from the diluted earnings per share calculation as the Company had a loss from continuing operations for the quarters ended March 31, 2013 and 2012.

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):

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	Quarter Ended March 31, 2013	2012
Numerator for net income per Unit – basic and diluted (1):		
(Loss) from continuing operations	$(153,352)	$(13,426)
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(25)	(450)
Allocation to Preference Units	(1,036)	(3,466)
(Loss) from continuing operations available to Units	(154,413)	(17,342)
Discontinued operations, net	1,214,386	165,593
Numerator for net income per Unit – basic and diluted (1)	$1,059,973	$148,251
Denominator for net income per Unit – basic and diluted (1):		
Denominator for net income per Unit - basic and diluted (1)	351,255	312,011
Net income per Unit – basic	$3.01	$0.47
Net income per Unit – diluted	$3.01	$0.47
Net income per Unit – basic:		
(Loss) from continuing operations available to Units	$(0.439)	$(0.055)
Discontinued operations, net	3.451	0.530
Net income per Unit – basic	$3.012	$0.475
Net income per Unit – diluted (1):		
(Loss) from continuing operations available to Units	$(0.439)	$(0.055)
Discontinued operations, net	3.451	0.530
Net income per Unit – diluted	$3.012	$0.475

(1) Potential Units issuable from the assumed exercise/vesting of the Company's long-term compensation shares/units are automatically anti-dilutive and therefore excluded from the diluted earnings per Unit calculation as the Operating Partnership had a loss from continuing operations for the quarters ended March 31, 2013 and 2012.

11. Discontinued Operations

The Company has presented separately as discontinued operations in all periods the results of operations for all consolidated assets disposed of and all properties held for sale, if any.

The components of discontinued operations are outlined below and include the results of operations for the respective periods that the Company owned such assets during the quarters ended March 31, 2013 and 2012 (amounts in thousands).

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	Quarter Ended March 31, 2013	2012
REVENUES		
Rental income	$47,342	$84,142
Total revenues	47,342	84,142
EXPENSES (1)		
Property and maintenance	11,870	19,849
Real estate taxes and insurance	5,042	3,797
Property management	1	70
Depreciation	14,766	26,862
General and administrative	7	4
Total expenses	31,686	50,582
Discontinued operating income	15,656	33,560
Interest and other income	52	28
Other expenses	(1)	(111)
Interest (2):		
Expense incurred, net	(34)	(699)
Amortization of deferred financing costs	(153)	(40)
Income and other tax (expense) benefit	(56)	(101)
Discontinued operations	15,464	32,637
Net gain on sales of discontinued operations	1,198,922	132,956
Discontinued operations, net	$1,214,386	$165,593

(1) Includes expenses paid in the current period for properties sold or held for sale in prior periods related to the Company’s period of ownership.
(2) Includes only interest expense specific to secured mortgage notes payable for properties sold and/or held for sale.

For the properties sold during the quarter ended March 31, 2013, the investment in real estate, net of accumulated depreciation, and the mortgage notes payable balances at December 31, 2012 were $1.4 billion and $8.4 million, respectively.

12. Commitments and Contingencies

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

The Company is party to a housing discrimination lawsuit brought by a non-profit civil rights organization in April 2006 in the U.S. District Court for the District of Maryland. The suit alleges that the Company designed and built approximately 300 of its properties in violation of the accessibility requirements of the Fair Housing Act and Americans With Disabilities Act. The suit seeks actual and punitive damages, injunctive relief (including modification of non-compliant properties), costs and attorneys’ fees. The Company believes it has a number of viable defenses, including that a majority of the named properties were completed before the operative dates of the statutes in question and/or were not designed or built by the Company. Accordingly, the Company is defending the suit vigorously. Due to the pendency of the Company's defenses and the uncertainty of many other critical factual and legal issues, it is not possible to determine or predict the outcome of the suit or a possible loss or a range of loss, and no amounts have been accrued at March 31, 2013. While no assurances can be given, the Company does not believe that the suit, if adversely determined, would have a material adverse effect on the Company.

The Company does not believe there is any other 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 March 31, 2013, the Company has 11 consolidated projects (including 400 Park Avenue South in New York City which the Company is jointly developing with Toll Brothers that is discussed below and Enclave at Wellington in which the Company acquired a 95% interest in connection with the Archstone transaction that is discussed in Note 6) totaling 2,488 apartment

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units in various stages of development with commitments to fund of approximately $507.7 million and estimated completion dates ranging through June 30, 2015, as well as other completed development projects that are in various stages of lease up or are stabilized. Some of the projects are being developed solely by the Company, while others are being co-developed with various third party development partners. The development venture agreements with these partners are primarily deal-specific, with differing terms regarding profit-sharing, equity contributions, returns on investment, buy-sell agreements and other customary provisions. The Company is the "general" or "managing" partner of the development venture.

As of March 31, 2013, the Company has four unconsolidated projects totaling 1,513 apartment units under development with estimated completion dates ranging through September 30, 2014. These projects are all being co-developed with various third party development partners. The development venture agreements with these partners are primarily deal-specific, with differing terms regarding profit-sharing, equity contributions, returns on investment, buy-sell agreements and other customary provisions. The Company currently has no further funding obligations for Domain, Nexus Sawgrass and San Norterra. While the Company is the managing member of the Domain and Nexus Sawgrass joint ventures, is responsible for constructing both projects and has given certain construction cost overrun guarantees, the joint venture partner has significant participating rights and has active involvement in and oversight of the ongoing projects. The Domain and Nexus Sawgrass buy-sell arrangements contain provisions that provide the right, but not the obligation, for the Company to acquire the partner’s interests or sell its interests at any time following the occurrence of certain pre-defined events (including at stabilization) described in the development venture agreements. The partner for San Norterra and Parkside at Emeryville is the “general” or “managing” partner of the development venture and the Company does not have substantive kick-out or participating rights. The Company has given a repayment guaranty on the construction loan for Parkside at Emeryville of 50% of the outstanding balance, up to a maximum of $19.7 million, and has given certain construction cost overrun guarantees.

In December 2011, the Company and Toll Brothers (NYSE: TOL) jointly acquired a vacant land parcel at 400 Park Avenue South in New York City. The Company's and Toll Brothers' allocated portions of the purchase price were approximately $76.1 million and $57.9 million, respectively. The Company is the managing member and Toll Brothers does not have substantive kick-out or participating rights. Until the core and shell of the building is complete, the building and land will be owned jointly and are required to be consolidated on the Company's balance sheet. Thereafter, the Company will solely own and control the rental portion of the building (floors 2-22) and Toll Brothers will solely own and control the for sale portion of the building (floors 23-40). Once the core and shell are complete, the Toll Brothers' portion of the property will be deconsolidated from the Company's balance sheet. The acquisition was financed through contributions by the Company and Toll Brothers of approximately $102.5 million and $75.7 million, respectively, which included the land purchase noted above, restricted deposits and taxes and fees. As of March 31, 2013, the Company's and Toll Brothers' consolidated contributions to the joint venture were approximately $212.7 million, of which Toll Brothers' noncontrolling interest balance totaled $87.3 million.

13. Reportable Segments

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

The Company’s primary business is the acquisition, development and management of multifamily residential properties, which includes the generation of rental and other related income through the leasing of apartment units to residents. The chief operating decision maker evaluates the Company's operating performance geographically by market and both on a same store and non-same store basis. The Company’s operating segments (geographic markets) have been aggregated into four reportable segments based upon the geographic region in which they are located.

The Company’s fee and asset management and development (including its partially owned properties) 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 quarters ended March 31, 2013 and 2012, 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; 2) real estate taxes and insurance expense; and 3) property management expense (all as reflected in the accompanying consolidated statements of operations). 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 communities. Current year NOI is compared to prior year NOI and current year

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budgeted NOI as a measure of financial performance. The following tables present NOI for each segment from our rental real estate specific to continuing operations for the quarters ended March 31, 2013 and 2012, respectively, as well as total assets and capital expenditures at March 31, 2013 (amounts in thousands):

	Quarter Ended March 31, 2013					
	Northeast	Northwest	Southeast	Southwest	Other (3)	Total
Rental income:						
Same store (1)	$186,839	$102,570	$64,678	$111,566	$—	$465,653
Non-same store/other (2) (3)	43,702	17,389	256	8,100	1,902	71,349
Total rental income	230,541	119,959	64,934	119,666	1,902	537,002
Operating expenses:						
Same store (1)	69,299	35,427	24,533	37,197	—	166,456
Non-same store/other (2) (3)	14,060	6,667	104	3,397	7,535	31,763
Total operating expenses	83,359	42,094	24,637	40,594	7,535	198,219
NOI:						
Same store (1)	117,540	67,143	40,145	74,369	—	299,197
Non-same store/other (2) (3)	29,642	10,722	152	4,703	(5,633)	39,586
Total NOI	$147,182	$77,865	$40,297	$79,072	$(5,633)	$338,783
Total assets	$11,571,120	$4,745,161	$1,707,027	$3,925,524	$1,846,326	$23,795,158
Capital expenditures	$9,030	$8,137	$3,799	$3,993	$1,640	$26,599

(1) Same store primarily includes all properties acquired or completed and stabilized prior to January 1, 2012, less properties subsequently sold, which represented 90,350 apartment units.
(2) Non-same store primarily includes properties acquired after January 1, 2012, plus any properties in lease-up and not stabilized as of January 1, 2012.
(3) Other includes development and other corporate operations.

	Quarter Ended March 31, 2012					
	Northeast	Northwest	Southeast	Southwest	Other (3)	Total
Rental income:						
Same store (1)	$178,867	$95,144	$61,778	$107,363	$—	$443,152
Non-same store/other (2) (3)	404	722	—	87	19	1,232
Total rental income	179,271	95,866	61,778	107,450	19	444,384
Operating expenses:						
Same store (1)	66,752	34,662	24,064	36,289	—	161,767
Non-same store/other (2) (3)	907	381	—	22	5,654	6,964
Total operating expenses	67,659	35,043	24,064	36,311	5,654	168,731
NOI:						
Same store (1)	112,115	60,482	37,714	71,074	—	281,385
Non-same store/other (2) (3)	(503)	341	—	65	(5,635)	(5,732)
Total NOI	$111,612	$60,823	$37,714	$71,139	$(5,635)	$275,653

(1) Same store primarily includes all properties acquired or completed and stabilized prior to January 1, 2012, less properties subsequently sold, which represented 90,350 apartment units.
(2) Non-same store primarily includes properties acquired after January 1, 2012, plus any properties in lease-up and not stabilized as of January 1, 2012.
(3) Other includes development and other corporate operations.

Note: Markets/Metro Areas included in the above geographic segments are as follows:
(a) Northeast – New England (excluding Boston), Boston, New York and Washington DC.
(b) Northwest – Denver, San Francisco, Seattle and Tacoma.
(c) Southeast – Atlanta, Jacksonville, Orlando and South Florida.

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(d) Southwest – Inland Empire, Los Angeles, Orange County, Phoenix and San Diego.

The following table presents a reconciliation of NOI from our rental real estate specific to continuing operations for the quarters ended March 31, 2013 and 2012, respectively (amounts in thousands):

	Quarter Ended March 31,	
	2013	2012
Rental income	$537,002	$444,384
Property and maintenance expense	(107,083)	(92,952)
Real estate taxes and insurance expense	(68,647)	(52,440)
Property management expense	(22,489)	(23,339)
Total operating expenses	(198,219)	(168,731)
Net operating income	$338,783	$275,653

14. Subsequent Events/Other

Subsequent Events

Subsequent to March 31, 2013, the Company:

- Acquired one property consisting of 322 apartments units and one land parcel for $108.0 million;
- Sold 12 properties consisting of 3,924 apartment units and one land parcel for $552.8 million;