

EQUITY RESIDENTIAL

Form 10-Q

August 07, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended JUNE 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-12252 (Equity Residential)

Commission File Number: 0-24920 (ERP Operating Limited Partnership)

EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Maryland (Equity Residential)

13-3675988 (Equity Residential)

Illinois (ERP Operating Limited Partnership)

36-3894853 (ERP Operating Limited Partnership)

(State or other jurisdiction of incorporation or  
organization)

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

Two North Riverside Plaza, Chicago, Illinois 60606

(312) 474-1300

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Equity Residential Yes  No

ERP Operating Limited Partnership Yes  No

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  No

ERP Operating Limited Partnership Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Accelerated filer

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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  (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

ERP Operating Limited Partnership Yes  No

The number of EQR Common Shares of Beneficial Interest, \$0.01 par value, outstanding on July 31, 2014 was 361,742,672.

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EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2014 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 June 30, 2014 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)

|   | June 30,<br>2014 | December 31,<br>2013 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Investment in real estate   |                  |                      |
| Land  | \$6,296,735      | \$6,192,512          |
| Depreciable property  | 19,730,737       | 19,226,047           |
| Projects under development  | 1,006,992        | 988,867              |
| Land held for development   | 306,625          | 393,522              |
| Investment in real estate   | 27,341,089       | 26,800,948           |
| Accumulated depreciation  | (5,170,438)      | (4,807,709)          |
| Investment in real estate, net  | 22,170,651       | 21,993,239           |
| Cash and cash equivalents   | 76,132           | 53,534               |
| Investments in unconsolidated entities  | 142,318          | 178,526              |
| Deposits – restricted   | 84,408           | 103,567              |
| Escrow deposits – mortgage  | 45,269           | 42,636               |
| Deferred financing costs, net   | 63,441           | 58,486               |
| Other assets  | 409,183          | 404,557              |
| Total assets  | \$22,991,402     | \$22,834,545         |
| <b>LIABILITIES AND EQUITY</b>   |                  |                      |
| Liabilities:  |                  |                      |
| Mortgage notes payable  | \$5,158,091      | \$5,174,166          |
| Notes, net  | 5,923,952        | 5,477,088            |
| Lines of credit   | —                | 115,000              |
| Accounts payable and accrued expenses   | 168,225          | 118,791              |
| Accrued interest payable  | 78,389           | 78,309               |
| Other liabilities   | 331,662          | 347,748              |
| Security deposits   | 74,508           | 71,592               |
| Distributions payable   | 187,906          | 243,511              |
| Total liabilities   | 11,922,733       | 11,626,205           |
| Commitments and contingencies   |                  |                      |
| Redeemable Noncontrolling Interests – Operating Partnership   | 440,050          | 363,144              |
| Equity:   |                  |                      |
| Shareholders' equity:   |                  |                      |
| Preferred Shares of beneficial interest, \$0.01 par value;<br>100,000,000 shares authorized; 1,000,000 shares issued and<br>outstanding as of June 30, 2014 and December 31, 2013   | 50,000           | 50,000               |
| Common Shares of beneficial interest, \$0.01 par value;<br>1,000,000,000 shares authorized; 361,562,007 shares issued<br>and outstanding as of June 30, 2014 and 360,479,260<br>shares issued and outstanding as of December 31, 2013 | 3,616            | 3,605                |
| Paid in capital   | 8,527,380        | 8,561,500            |
| Retained earnings   | 1,875,732        | 2,047,258            |



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|  |              |              |   |
|--|--------------|--------------|---|
| Accumulated other comprehensive (loss) | (166,990     | ) (155,162   | ) |
| Total shareholders' equity             | 10,289,738   | 10,507,201   |   |
| Noncontrolling Interests:              |              |              |   |
| Operating Partnership                  | 213,038      | 211,412      |   |
| Partially Owned Properties             | 125,843      | 126,583      |   |
| Total Noncontrolling Interests         | 338,881      | 337,995      |   |
| Total equity                           | 10,628,619   | 10,845,196   |   |
| Total liabilities and equity           | \$22,991,402 | \$22,834,545 |   |

See accompanying notes

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per share data)

(Unaudited)

|   | Six Months Ended June 30, |             | Quarter Ended June 30, |             |
|---|---------------------------|-------------|------------------------|-------------|
|   | 2014                      | 2013        | 2014                   | 2013        |
| <b>REVENUES</b>   |                           |             |                        |             |
| Rental income   | \$1,280,491               | \$1,117,106 | \$649,766              | \$614,544   |
| Fee and asset management  | 5,519                     | 4,833       | 2,802                  | 2,673       |
| Total revenues  | 1,286,010                 | 1,121,939   | 652,568                | 617,217     |
| <b>EXPENSES</b>   |                           |             |                        |             |
| Property and maintenance  | 240,961                   | 212,030     | 115,388                | 113,501     |
| Real estate taxes and insurance   | 165,149                   | 141,837     | 83,055                 | 76,742      |
| Property management   | 42,673                    | 44,520      | 20,555                 | 22,031      |
| Fee and asset management  | 3,040                     | 3,223       | 1,378                  | 1,577       |
| Depreciation  | 375,303                   | 519,526     | 190,136                | 323,304     |
| General and administrative  | 31,328                    | 32,580      | 13,752                 | 16,085      |
| Total expenses  | 858,454                   | 953,716     | 424,264                | 553,240     |
| Operating income  | 427,556                   | 168,223     | 228,304                | 63,977      |
| Interest and other income   | 2,637                     | 752         | 2,032                  | 432         |
| Other expenses  | (2,190)                   | ) (23,350)  | ) (1,533)              | ) (1,631)   |
| Interest:   |                           |             |                        |             |
| Expense incurred, net   | (228,973)                 | ) (317,417) | ) (115,924)            | ) (122,950) |
| Amortization of deferred financing costs  | (5,926)                   | ) (11,301)  | ) (3,134)              | ) (4,353)   |
| Income (loss) before income and other taxes, (loss) from investments in unconsolidated entities, net gain on sales of land parcels, discontinued operations and net gain on sales of real estate properties | 193,104                   | ) (183,093) | ) 109,745              | ) (64,525)  |
| Income and other tax (expense) benefit  | (886)                     | ) (833)     | ) (646)                | ) (428)     |
| (Loss) from investments in unconsolidated entities  | (9,025)                   | ) (54,540)  | ) (7,616)              | ) (8,174)   |
| Net gain on sales of land parcels   | 794                       | 14,616      | 824                    | 14,616      |
| Income (loss) from continuing operations  | 183,987                   | (223,850)   | ) 102,307              | (58,511)    |
| Discontinued operations, net  | 1,562                     | 1,621,616   | 510                    | 395,243     |
| Income before net gain on sales of real estate properties   | 185,549                   | 1,397,766   | 102,817                | 336,732     |
| Net gain on sales of real estate properties   | 14,903                    | —           | 14,903                 | —           |
| Net income  | 200,452                   | 1,397,766   | 117,720                | 336,732     |
| Net (income) loss attributable to Noncontrolling Interests:   |                           |             |                        |             |
| Operating Partnership   | (7,535)                   | ) (56,111)  | ) (4,442)              | ) (12,788)  |
| Partially Owned Properties  | (1,092)                   | ) 790       | (588)                  | ) 815       |
| Net income attributable to controlling interests  | 191,825                   | 1,342,445   | 112,690                | 324,759     |
| Preferred distributions   | (2,072)                   | ) (2,072)   | ) (1,036)              | ) (1,036)   |
| Net income available to Common Shares   | \$189,753                 | \$1,340,373 | \$111,654              | \$323,723   |

Earnings per share – basic:

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|   |         |         |          |         |   |
|---|---------|---------|----------|---------|---|
| Income (loss) from continuing operations available to Common Shares | \$0.52  | \$(0.62 | ) \$0.31 | \$(0.16 | ) |
| Net income available to Common Shares                               | \$0.53  | \$3.84  | \$0.31   | \$0.90  |   |
| Weighted average Common Shares outstanding                          | 360,641 | 348,654 | 360,809  | 359,653 |   |
| Earnings per share – diluted:                                       |         |         |          |         |   |
| Income (loss) from continuing operations available to Common Shares | \$0.52  | \$(0.62 | ) \$0.31 | \$(0.16 | ) |
| Net income available to Common Shares                               | \$0.52  | \$3.84  | \$0.31   | \$0.90  |   |
| Weighted average Common Shares outstanding                          | 376,780 | 348,654 | 377,118  | 359,653 |   |
| Distributions declared per Common Share outstanding                 | \$1.00  | \$0.80  | \$0.50   | \$0.40  |   |

See accompanying notes

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## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)

(Amounts in thousands except per share data)

(Unaudited)

|   | Six Months Ended June 30, |             | Quarter Ended June 30, |           |
|---|---------------------------|-------------|------------------------|-----------|
|   | 2014                      | 2013        | 2014                   | 2013      |
| Comprehensive income:   |                           |             |                        |           |
| Net income  | \$200,452                 | \$1,397,766 | \$117,720              | \$336,732 |
| Other comprehensive (loss) income:                                |                           |             |                        |           |
| Other comprehensive (loss) income – derivative instruments:       |                           |             |                        |           |
| Unrealized holding (losses) gains arising during the period       | (21,881 )                 | 12,337      | (9,929 )               | 9,523     |
| Losses reclassified into earnings from other comprehensive income | 8,335                     | 12,098      | 4,206                  | 3,826     |
| Other comprehensive income – other instruments:                   |                           |             |                        |           |
| Unrealized holding gains arising during the period                | —                         | 928         | —                      | 501       |
| Other comprehensive income – foreign currency:                    |                           |             |                        |           |
| Currency translation adjustments arising during the period        | 1,718                     | 941         | 1,627                  | 1,814     |
| Other comprehensive (loss) income                                 | (11,828 )                 | 26,304      | (4,096 )               | 15,664    |
| Comprehensive income  | 188,624                   | 1,424,070   | 113,624                | 352,396   |
| Comprehensive (income) attributable to Noncontrolling Interests   | (8,175 )                  | (56,342 )   | (4,873 )               | (12,568 ) |
| Comprehensive income attributable to controlling interests        | \$180,449                 | \$1,367,728 | \$108,751              | \$339,828 |

See accompanying notes

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

|  | Six Months Ended June 30, |              |   |
|--|---------------------------|--------------|---|
|  | 2014                      | 2013         |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                       |                           |              |   |
| Net income   | \$ 200,452                | \$ 1,397,766 |   |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                           |              |   |
| Depreciation   | 375,303                   | 550,488      |   |
| Amortization of deferred financing costs   | 5,926                     | 11,529       |   |
| Amortization of above/below market leases  | 1,530                     | 1,216        |   |
| Amortization of discounts and premiums on debt                                     | (5,876)                   | (23,031)     | ) |
| Amortization of deferred settlements on derivative instruments                     | 8,068                     | 11,830       |   |
| Write-off of pursuit costs   | 1,492                     | 3,365        |   |
| Loss from investments in unconsolidated entities                                   | 9,025                     | 54,540       |   |
| Distributions from unconsolidated entities – return on capital                     | 2,390                     | 588          |   |
| Net (gain) on sales of land parcels  | (794)                     | (14,616)     | ) |
| Net (gain) on sales of discontinued operations                                     | (224)                     | (1,588,874)  | ) |
| Net (gain) on sales of real estate properties                                      | (14,903)                  | —            |   |
| Unrealized (gain) loss on derivative instruments                                   | (90)                      | 24           |   |
| Compensation paid with Company Common Shares                                       | 21,905                    | 22,089       |   |
| Changes in assets and liabilities:   |                           |              |   |
| (Increase) in deposits – restricted  | (1,820)                   | (12,220)     | ) |
| Decrease in mortgage deposits  | 187                       | 789          |   |
| (Increase) in other assets   | (7,745)                   | (4,695)      | ) |
| Increase in accounts payable and accrued expenses                                  | 38,951                    | 25,956       |   |
| Increase (decrease) in accrued interest payable                                    | 80                        | (1,396)      | ) |
| (Decrease) in other liabilities  | (17,237)                  | (11,449)     | ) |
| Increase (decrease) in security deposits   | 2,916                     | (6,080)      | ) |
| Net cash provided by operating activities  | 619,536                   | 417,819      |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                       |                           |              |   |
| Acquisition of Archstone, net of cash acquired                                     | —                         | (4,000,875)  | ) |
| Investment in real estate – acquisitions   | (265,466)                 | (108,308)    | ) |
| Investment in real estate – development/other                                      | (245,657)                 | (154,576)    | ) |
| Improvements to real estate  | (76,912)                  | (57,253)     | ) |
| Additions to non-real estate property  | (1,818)                   | (2,801)      | ) |
| Interest capitalized for real estate and unconsolidated entities under development | (25,037)                  | (20,006)     | ) |
| Proceeds from disposition of real estate, net                                      | 48,359                    | 3,764,000    |   |
| Investments in unconsolidated entities   | (9,554)                   | (53,687)     | ) |
| Distributions from unconsolidated entities – return of capital                     | 64,669                    | —            |   |
| Decrease in deposits on real estate acquisitions and investments, net              | 20,979                    | 65,869       |   |
| Decrease in mortgage deposits  | 760                       | 5,089        |   |
| Acquisition of Noncontrolling Interests – Partially Owned Properties               | (5,501)                   | —            |   |
| Net cash (used for) investing activities   | (495,178)                 | (562,548)    | ) |

See accompanying notes

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

|   | Six Months Ended June 30, |              |
|---|---------------------------|--------------|
|   | 2014                      | 2013         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                          |                           |              |
| Loan and bond acquisition costs                                       | \$(10,881                 | ) \$(18,006  |
| Mortgage deposits   | (3,580                    | ) (2,208     |
| Mortgage notes payable:   |                           |              |
| Proceeds  | —                         | 683          |
| Lump sum payoffs  | (3,064                    | ) (697,897   |
| Scheduled principal repayments  | (6,000                    | ) (6,336     |
| Notes, net:   |                           |              |
| Proceeds  | 1,194,277                 | 1,245,550    |
| Lump sum payoffs  | (750,000                  | ) (400,000   |
| Lines of credit:  |                           |              |
| Proceeds  | 3,374,000                 | 8,413,000    |
| Repayments  | (3,489,000                | ) (8,413,000 |
| (Payments on) settlement of derivative instruments                    | (733                      | ) (44,013    |
| Proceeds from Employee Share Purchase Plan (ESPP)                     | 2,218                     | 2,363        |
| Proceeds from exercise of options                                     | 25,685                    | 13,885       |
| Common Shares repurchased and retired                                 | (1,777                    | ) —          |
| Payment of offering costs   | —                         | (744         |
| Other financing activities, net                                       | (33                       | ) (33        |
| Contributions – Noncontrolling Interests – Partially Owned Properties | 5,684                     | 6,769        |
| Contributions – Noncontrolling Interests – Operating Partnership      | 3                         | 5            |
| Distributions:  |                           |              |
| Common Shares   | (414,843                  | ) (393,347   |
| Preferred Shares  | (2,072                    | ) (1,036     |
| Noncontrolling Interests – Operating Partnership                      | (16,405                   | ) (16,528    |
| Noncontrolling Interests – Partially Owned Properties                 | (5,239                    | ) (4,404     |
| Net cash (used for) financing activities                              | (101,760                  | ) (315,297   |
| Net increase (decrease) in cash and cash equivalents                  | 22,598                    | (460,026     |
| Cash and cash equivalents, beginning of period                        | 53,534                    | 612,590      |
| Cash and cash equivalents, end of period                              | \$76,132                  | \$152,564    |

See accompanying notes

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

|   | Six Months Ended June 30, |               |
|---|---------------------------|---------------|
|   | 2014                      | 2013          |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                           |               |
| Cash paid for interest, net of amounts capitalized                                  | \$226,785                 | \$319,992     |
| Net cash paid for income and other taxes  | \$843                     | \$1,028       |
| Amortization of deferred financing costs:   |                           |               |
| Investment in real estate, net  | \$—                       | \$(1)         |
| Deferred financing costs, net   | \$5,926                   | \$11,530      |
| Amortization of discounts and premiums on debt:                                     |                           |               |
| Mortgage notes payable  | \$(7,011)                 | \$(24,083)    |
| Notes, net  | \$1,135                   | \$1,052       |
| Amortization of deferred settlements on derivative instruments:                     |                           |               |
| Other liabilities   | \$(267)                   | \$(268)       |
| Accumulated other comprehensive income  | \$8,335                   | \$12,098      |
| Loss from investments in unconsolidated entities:                                   |                           |               |
| Investments in unconsolidated entities  | \$7,354                   | \$49,507      |
| Other liabilities   | \$1,671                   | \$5,033       |
| Distributions from unconsolidated entities – return on capital:                     |                           |               |
| Investments in unconsolidated entities  | \$2,285                   | \$588         |
| Other liabilities   | \$105                     | \$—           |
| Unrealized (gain) loss on derivative instruments:                                   |                           |               |
| Other assets  | \$10,611                  | \$(10,753)    |
| Notes, net  | \$1,452                   | \$(1,523)     |
| Other liabilities   | \$9,728                   | \$(37)        |
| Accumulated other comprehensive income  | \$(21,881)                | \$12,337      |
| Acquisition of Archstone, net of cash acquired:                                     |                           |               |
| Investment in real estate, net  | \$39,929                  | \$(8,713,217) |
| Investments in unconsolidated entities  | \$(33,993)                | \$(214,677)   |
| Deposits – restricted   | \$—                       | \$(474)       |
| Escrow deposits – mortgage  | \$—                       | \$(35,898)    |
| Deferred financing costs, net   | \$—                       | \$(25,780)    |
| Other assets  | \$(2,586)                 | \$(203,008)   |
| Mortgage notes payable  | \$—                       | \$3,076,876   |
| Accounts payable and accrued expenses   | \$(146)                   | \$17,576      |
| Accrued interest payable  | \$—                       | \$11,256      |
| Other liabilities   | \$(3,204)                 | \$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  | \$(25,002)                | \$(19,195)    |
| Investments in unconsolidated entities  | \$(35)                    | \$(811)       |
| Investments in unconsolidated entities:   |                           |               |
| Investments in unconsolidated entities  | \$(2,354)                 | \$(4,371)     |

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|  |           |   |            |   |
|--|-----------|---|------------|---|
| Other liabilities                        | \$ (7,200 | ) | \$ (49,316 | ) |
| Other:                                   |           |   |            |   |
| Foreign currency translation adjustments | \$ (1,718 | ) | \$ (941    | ) |

See accompanying notes

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

|   | Six Months Ended<br>June 30, 2014 |   |
|---|-----------------------------------|---|
| <b>SHAREHOLDERS' EQUITY</b>   |                                   |   |
| <b>PREFERRED SHARES</b>   |                                   |   |
| Balance, beginning of year  | \$50,000                          |   |
| Balance, end of period  | \$50,000                          |   |
| <b>COMMON SHARES, \$0.01 PAR VALUE</b>  |                                   |   |
| Balance, beginning of year  | \$3,605                           |   |
| Conversion of OP Units into Common Shares   | 1                                 |   |
| Exercise of share options   | 8                                 |   |
| Share-based employee compensation expense:  |                                   |   |
| Restricted shares   | 2                                 |   |
| Balance, end of period  | \$3,616                           |   |
| <b>PAID IN CAPITAL</b>  |                                   |   |
| Balance, beginning of year  | \$8,561,500                       |   |
| Common Share Issuance:  |                                   |   |
| Conversion of OP Units into Common Shares   | 1,429                             |   |
| Exercise of share options   | 25,677                            |   |
| Employee Share Purchase Plan (ESPP)   | 2,218                             |   |
| Share-based employee compensation expense:  |                                   |   |
| Restricted shares   | 6,981                             |   |
| Share options   | 5,330                             |   |
| ESPP discount   | 587                               |   |
| Common Shares repurchased and retired   | (1,777                            | ) |
| Supplemental Executive Retirement Plan (SERP)   | 4,212                             |   |
| Acquisition of Noncontrolling Interests – Partially Owned Properties                  | (2,308                            | ) |
| Change in market value of Redeemable Noncontrolling Interests – Operating Partnership | (80,615                           | ) |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership            | 4,146                             |   |
| Balance, end of period  | \$8,527,380                       |   |
| <b>RETAINED EARNINGS</b>  |                                   |   |
| Balance, beginning of year  | \$2,047,258                       |   |
| Net income attributable to controlling interests                                      | 191,825                           |   |
| Common Share distributions  | (361,279                          | ) |
| Preferred Share distributions   | (2,072                            | ) |
| Balance, end of period  | \$1,875,732                       |   |

See accompanying notes

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

|   | Six Months Ended<br>June 30, 2014 |
|---|-----------------------------------|
| SHAREHOLDERS' EQUITY (continued)  |                                   |
| ACCUMULATED OTHER COMPREHENSIVE (LOSS)  |                                   |
| Balance, beginning of year  | \$(155,162 )                      |
| Accumulated other comprehensive (loss) – derivative instruments:                              |                                   |
| Unrealized holding (losses) arising during the period   | (21,881 )                         |
| Losses reclassified into earnings from other comprehensive income                             | 8,335                             |
| Accumulated other comprehensive income – foreign currency:                                    |                                   |
| Currency translation adjustments arising during the period                                    | 1,718                             |
| Balance, end of period  | \$(166,990 )                      |
| NONCONTROLLING INTERESTS  |                                   |
| OPERATING PARTNERSHIP   |                                   |
| Balance, beginning of year  | \$211,412                         |
| Issuance of LTIP Units to Noncontrolling Interests  | 3                                 |
| Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner | (1,430 )                          |
| Equity compensation associated with Noncontrolling Interests                                  | 10,319                            |
| Net income attributable to Noncontrolling Interests   | 7,535                             |
| Distributions to Noncontrolling Interests   | (14,364 )                         |
| Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership       | 3,709                             |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership                    | (4,146 )                          |
| Balance, end of period  | \$213,038                         |
| PARTIALLY OWNED PROPERTIES  |                                   |
| Balance, beginning of year  | \$126,583                         |
| Net income attributable to Noncontrolling Interests   | 1,092                             |
| Contributions by Noncontrolling Interests   | 5,684                             |
| Distributions to Noncontrolling Interests   | (5,272 )                          |
| Acquisition of Noncontrolling Interests – Partially Owned Properties                          | (2,244 )                          |
| Balance, end of period  | \$125,843                         |

See accompanying notes

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Table of ContentsERP OPERATING LIMITED PARTNERSHIP  
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

(Unaudited)

|   | June 30,<br>2014 | December 31,<br>2013 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Investment in real estate                             |                  |                      |
| Land  | \$6,296,735      | \$6,192,512          |
| Depreciable property                                  | 19,730,737       | 19,226,047           |
| Projects under development                            | 1,006,992        | 988,867              |
| Land held for development                             | 306,625          | 393,522              |
| Investment in real estate                             | 27,341,089       | 26,800,948           |
| Accumulated depreciation                              | (5,170,438       | ) (4,807,709         |
| Investment in real estate, net                        | 22,170,651       | 21,993,239           |
| Cash and cash equivalents                             | 76,132           | 53,534               |
| Investments in unconsolidated entities                | 142,318          | 178,526              |
| Deposits – restricted                                 | 84,408           | 103,567              |
| Escrow deposits – mortgage                            | 45,269           | 42,636               |
| Deferred financing costs, net                         | 63,441           | 58,486               |
| Other assets  | 409,183          | 404,557              |
| Total assets  | \$22,991,402     | \$22,834,545         |
| <b>LIABILITIES AND CAPITAL</b>                        |                  |                      |
| Liabilities:  |                  |                      |
| Mortgage notes payable                                | \$5,158,091      | \$5,174,166          |
| Notes, net  | 5,923,952        | 5,477,088            |
| Lines of credit                                       | —                | 115,000              |
| Accounts payable and accrued expenses                 | 168,225          | 118,791              |
| Accrued interest payable                              | 78,389           | 78,309               |
| Other liabilities                                     | 331,662          | 347,748              |
| Security deposits                                     | 74,508           | 71,592               |
| Distributions payable                                 | 187,906          | 243,511              |
| Total liabilities                                     | 11,922,733       | 11,626,205           |
| Commitments and contingencies                         |                  |                      |
| Redeemable Limited Partners                           | 440,050          | 363,144              |
| Capital:  |                  |                      |
| Partners' Capital:                                    |                  |                      |
| Preference Units                                      | 50,000           | 50,000               |
| General Partner                                       | 10,406,728       | 10,612,363           |
| Limited Partners                                      | 213,038          | 211,412              |
| Accumulated other comprehensive (loss)                | (166,990         | ) (155,162           |
| Total partners' capital                               | 10,502,776       | 10,718,613           |
| Noncontrolling Interests – Partially Owned Properties | 125,843          | 126,583              |
| Total capital   | 10,628,619       | 10,845,196           |
| Total liabilities and capital                         | \$22,991,402     | \$22,834,545         |

See accompanying notes

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Table of ContentsERP OPERATING LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per Unit data)

(Unaudited)

|   | Six Months Ended June 30, |             | Quarter Ended June 30, |           |
|---|---------------------------|-------------|------------------------|-----------|
|   | 2014                      | 2013        | 2014                   | 2013      |
| <b>REVENUES</b>   |                           |             |                        |           |
| Rental income   | \$1,280,491               | \$1,117,106 | \$649,766              | \$614,544 |
| Fee and asset management  | 5,519                     | 4,833       | 2,802                  | 2,673     |
| Total revenues  | 1,286,010                 | 1,121,939   | 652,568                | 617,217   |
| <b>EXPENSES</b>   |                           |             |                        |           |
| Property and maintenance  | 240,961                   | 212,030     | 115,388                | 113,501   |
| Real estate taxes and insurance   | 165,149                   | 141,837     | 83,055                 | 76,742    |
| Property management   | 42,673                    | 44,520      | 20,555                 | 22,031    |
| Fee and asset management  | 3,040                     | 3,223       | 1,378                  | 1,577     |
| Depreciation  | 375,303                   | 519,526     | 190,136                | 323,304   |
| General and administrative  | 31,328                    | 32,580      | 13,752                 | 16,085    |
| Total expenses  | 858,454                   | 953,716     | 424,264                | 553,240   |
| Operating income  | 427,556                   | 168,223     | 228,304                | 63,977    |
| Interest and other income   | 2,637                     | 752         | 2,032                  | 432       |
| Other expenses  | (2,190)                   | (23,350)    | (1,533)                | (1,631)   |
| Interest:   |                           |             |                        |           |
| Expense incurred, net   | (228,973)                 | (317,417)   | (115,924)              | (122,950) |
| Amortization of deferred financing costs  | (5,926)                   | (11,301)    | (3,134)                | (4,353)   |
| Income (loss) before income and other taxes, (loss)<br>from investments in<br>unconsolidated entities, net gain on sales of land<br>parcels, discontinued<br>operations and net gain on sales of real estate properties | 193,104                   | (183,093)   | 109,745                | (64,525)  |
| Income and other tax (expense) benefit  | (886)                     | (833)       | (646)                  | (428)     |
| (Loss) from investments in unconsolidated entities  | (9,025)                   | (54,540)    | (7,616)                | (8,174)   |
| Net gain on sales of land parcels   | 794                       | 14,616      | 824                    | 14,616    |
| Income (loss) from continuing operations  | 183,987                   | (223,850)   | 102,307                | (58,511)  |
| Discontinued operations, net  | 1,562                     | 1,621,616   | 510                    | 395,243   |
| Income before net gain on sales of real estate properties   | 185,549                   | 1,397,766   | 102,817                | 336,732   |
| Net gain on sales of real estate properties   | 14,903                    | —           | 14,903                 | —         |
| Net income  | 200,452                   | 1,397,766   | 117,720                | 336,732   |
| Net (income) loss attributable to Noncontrolling<br>Interests – Partially<br>Owned Properties   | (1,092)                   | 790         | (588)                  | 815       |
| Net income attributable to controlling interests  | \$199,360                 | \$1,398,556 | \$117,132              | \$337,547 |
| <b>ALLOCATION OF NET INCOME:</b>  |                           |             |                        |           |
| Preference Units  | \$2,072                   | \$2,072     | \$1,036                | \$1,036   |
| General Partner   | \$189,753                 | \$1,340,373 | \$111,654              | \$323,723 |



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|   |           |             |           |           |
|---|-----------|-------------|-----------|-----------|
| Limited Partners  | 7,535     | 56,111      | 4,442     | 12,788    |
| Net income available to Units                               | \$197,288 | \$1,396,484 | \$116,096 | \$336,511 |
| Earnings per Unit – basic:                                  |           |             |           |           |
| Income (loss) from continuing operations available to Units | \$0.52    | \$(0.62)    | ) \$0.31  | \$(0.16)  |
| Net income available to Units                               | \$0.53    | \$3.84      | \$0.31    | \$0.90    |
| Weighted average Units outstanding                          | 374,377   | 362,390     | 374,551   | 373,403   |
| Earnings per Unit – diluted:                                |           |             |           |           |
| Income (loss) from continuing operations available to Units | \$0.52    | \$(0.62)    | ) \$0.31  | \$(0.16)  |
| Net income available to Units                               | \$0.52    | \$3.84      | \$0.31    | \$0.90    |
| Weighted average Units outstanding                          | 376,780   | 362,390     | 377,118   | 373,403   |
| Distributions declared per Unit outstanding                 | \$1.00    | \$0.80      | \$0.50    | \$0.40    |

See accompanying notes

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

|   | Six Months Ended June 30, |             | Quarter Ended June 30, |           |
|---|---------------------------|-------------|------------------------|-----------|
|   | 2014                      | 2013        | 2014                   | 2013      |
| Comprehensive income:   |                           |             |                        |           |
| Net income  | \$200,452                 | \$1,397,766 | \$117,720              | \$336,732 |
| Other comprehensive (loss) income:  |                           |             |                        |           |
| Other comprehensive (loss) income – derivative instruments:                                       |                           |             |                        |           |
| Unrealized holding (losses) gains arising during the period                                       | (21,881 )                 | 12,337      | (9,929 )               | 9,523     |
| Losses reclassified into earnings from other comprehensive income                                 | 8,335                     | 12,098      | 4,206                  | 3,826     |
| Other comprehensive income – other instruments:   |                           |             |                        |           |
| Unrealized holding gains arising during the period  | —                         | 928         | —                      | 501       |
| Other comprehensive income – foreign currency:  |                           |             |                        |           |
| Currency translation adjustments arising during the period  | 1,718                     | 941         | 1,627                  | 1,814     |
| Other comprehensive (loss) income   | (11,828 )                 | 26,304      | (4,096 )               | 15,664    |
| Comprehensive income  | 188,624                   | 1,424,070   | 113,624                | 352,396   |
| Comprehensive (income) loss attributable to Noncontrolling Interests – Partially Owned Properties |                           |             |                        |           |
| Comprehensive income attributable to controlling interests  | (1,092 )                  | 790         | (588 )                 | 815       |
| Comprehensive income attributable to controlling interests  | \$187,532                 | \$1,424,860 | \$113,036              | \$353,211 |

See accompanying notes

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Table of ContentsERP OPERATING LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

|  | Six Months Ended June 30, |             |
|--|---------------------------|-------------|
|  | 2014                      | 2013        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                       |                           |             |
| Net income   | \$200,452                 | \$1,397,766 |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                           |             |
| Depreciation   | 375,303                   | 550,488     |
| Amortization of deferred financing costs   | 5,926                     | 11,529      |
| Amortization of above/below market leases  | 1,530                     | 1,216       |
| Amortization of discounts and premiums on debt                                     | (5,876)                   | (23,031)    |
| Amortization of deferred settlements on derivative instruments                     | 8,068                     | 11,830      |
| Write-off of pursuit costs   | 1,492                     | 3,365       |
| Loss from investments in unconsolidated entities                                   | 9,025                     | 54,540      |
| Distributions from unconsolidated entities – return on capital                     | 2,390                     | 588         |
| Net (gain) on sales of land parcels  | (794)                     | (14,616)    |
| Net (gain) on sales of discontinued operations                                     | (224)                     | (1,588,874) |
| Net (gain) on sales of real estate properties                                      | (14,903)                  | —           |
| Unrealized (gain) loss on derivative instruments                                   | (90)                      | 24          |
| Compensation paid with Company Common Shares                                       | 21,905                    | 22,089      |
| Changes in assets and liabilities:   |                           |             |
| (Increase) in deposits – restricted  | (1,820)                   | (12,220)    |
| Decrease in mortgage deposits  | 187                       | 789         |
| (Increase) in other assets   | (7,745)                   | (4,695)     |
| Increase in accounts payable and accrued expenses                                  | 38,951                    | 25,956      |
| Increase (decrease) in accrued interest payable                                    | 80                        | (1,396)     |
| (Decrease) in other liabilities  | (17,237)                  | (11,449)    |
| Increase (decrease) in security deposits   | 2,916                     | (6,080)     |
| Net cash provided by operating activities  | 619,536                   | 417,819     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                       |                           |             |
| Acquisition of Archstone, net of cash acquired                                     | —                         | (4,000,875) |
| Investment in real estate – acquisitions   | (265,466)                 | (108,308)   |
| Investment in real estate – development/other                                      | (245,657)                 | (154,576)   |
| Improvements to real estate  | (76,912)                  | (57,253)    |
| Additions to non-real estate property  | (1,818)                   | (2,801)     |
| Interest capitalized for real estate and unconsolidated entities under development | (25,037)                  | (20,006)    |
| Proceeds from disposition of real estate, net                                      | 48,359                    | 3,764,000   |
| Investments in unconsolidated entities   | (9,554)                   | (53,687)    |
| Distributions from unconsolidated entities – return of capital                     | 64,669                    | —           |
| Decrease in deposits on real estate acquisitions and investments, net              | 20,979                    | 65,869      |
| Decrease in mortgage deposits  | 760                       | 5,089       |
| Acquisition of Noncontrolling Interests – Partially Owned Properties               | (5,501)                   | —           |
| Net cash (used for) investing activities   | (495,178)                 | (562,548)   |

See accompanying notes

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

|   | Six Months Ended June 30, |              |
|---|---------------------------|--------------|
|   | 2014                      | 2013         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                          |                           |              |
| Loan and bond acquisition costs                                       | \$(10,881                 | ) \$(18,006  |
| Mortgage deposits   | (3,580                    | ) (2,208     |
| Mortgage notes payable:   |                           |              |
| Proceeds  | —                         | 683          |
| Lump sum payoffs  | (3,064                    | ) (697,897   |
| Scheduled principal repayments  | (6,000                    | ) (6,336     |
| Notes, net:   |                           |              |
| Proceeds  | 1,194,277                 | 1,245,550    |
| Lump sum payoffs  | (750,000                  | ) (400,000   |
| Lines of credit:  |                           |              |
| Proceeds  | 3,374,000                 | 8,413,000    |
| Repayments  | (3,489,000                | ) (8,413,000 |
| (Payments on) settlement of derivative instruments                    | (733                      | ) (44,013    |
| Proceeds from EQR's Employee Share Purchase Plan (ESPP)               | 2,218                     | 2,363        |
| Proceeds from exercise of EQR options                                 | 25,685                    | 13,885       |
| OP Units repurchased and retired                                      | (1,777                    | ) —          |
| Payment of offering costs   | —                         | (744         |
| Other financing activities, net                                       | (33                       | ) (33        |
| Contributions – Noncontrolling Interests – Partially Owned Properties | 5,684                     | 6,769        |
| Contributions – Limited Partners                                      | 3                         | 5            |
| Distributions:  |                           |              |
| OP Units – General Partner  | (414,843                  | ) (393,347   |
| Preference Units  | (2,072                    | ) (1,036     |
| OP Units – Limited Partners   | (16,405                   | ) (16,528    |
| Noncontrolling Interests – Partially Owned Properties                 | (5,239                    | ) (4,404     |
| Net cash (used for) financing activities                              | (101,760                  | ) (315,297   |
| Net increase (decrease) in cash and cash equivalents                  | 22,598                    | (460,026     |
| Cash and cash equivalents, beginning of period                        | 53,534                    | 612,590      |
| Cash and cash equivalents, end of period                              | \$76,132                  | \$152,564    |

See accompanying notes

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

|   | Six Months Ended June 30, |               |
|---|---------------------------|---------------|
|   | 2014                      | 2013          |
| SUPPLEMENTAL INFORMATION:   |                           |               |
| Cash paid for interest, net of amounts capitalized                                  | \$226,785                 | \$319,992     |
| Net cash paid for income and other taxes  | \$843                     | \$1,028       |
| Amortization of deferred financing costs:   |                           |               |
| Investment in real estate, net  | \$—                       | \$(1)         |
| Deferred financing costs, net   | \$5,926                   | \$11,530      |
| Amortization of discounts and premiums on debt:                                     |                           |               |
| Mortgage notes payable  | \$(7,011)                 | \$(24,083)    |
| Notes, net  | \$1,135                   | \$1,052       |
| Amortization of deferred settlements on derivative instruments:                     |                           |               |
| Other liabilities   | \$(267)                   | \$(268)       |
| Accumulated other comprehensive income  | \$8,335                   | \$12,098      |
| Loss from investments in unconsolidated entities:                                   |                           |               |
| Investments in unconsolidated entities  | \$7,354                   | \$49,507      |
| Other liabilities   | \$1,671                   | \$5,033       |
| Distributions from unconsolidated entities – return on capital:                     |                           |               |
| Investments in unconsolidated entities  | \$2,285                   | \$588         |
| Other liabilities   | \$105                     | \$—           |
| Unrealized (gain) loss on derivative instruments:                                   |                           |               |
| Other assets  | \$10,611                  | \$(10,753)    |
| Notes, net  | \$1,452                   | \$(1,523)     |
| Other liabilities   | \$9,728                   | \$(37)        |
| Accumulated other comprehensive income  | \$(21,881)                | \$12,337      |
| Acquisition of Archstone, net of cash acquired:                                     |                           |               |
| Investment in real estate, net  | \$39,929                  | \$(8,713,217) |
| Investments in unconsolidated entities  | \$(33,993)                | \$(214,677)   |
| Deposits – restricted   | \$—                       | \$(474)       |
| Escrow deposits – mortgage  | \$—                       | \$(35,898)    |
| Deferred financing costs, net   | \$—                       | \$(25,780)    |
| Other assets  | \$(2,586)                 | \$(203,008)   |
| Mortgage notes payable  | \$—                       | \$3,076,876   |
| Accounts payable and accrued expenses   | \$(146)                   | \$17,576      |
| Accrued interest payable  | \$—                       | \$11,256      |
| Other liabilities   | \$(3,204)                 | \$117,391     |
| Security deposits   | \$—                       | \$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  | \$(25,002)                | \$(19,195)    |
| Investments in unconsolidated entities  | \$(35)                    | \$(811)       |
| Investments in unconsolidated entities:   |                           |               |
| Investments in unconsolidated entities  | \$(2,354)                 | \$(4,371)     |

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|  |           |   |            |   |
|--|-----------|---|------------|---|
| Other liabilities                        | \$ (7,200 | ) | \$ (49,316 | ) |
| Other:                                   |           |   |            |   |
| Foreign currency translation adjustments | \$ (1,718 | ) | \$ (941    | ) |

See accompanying notes

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

|   | Six Months Ended<br>June 30, 2014 |   |
|---|-----------------------------------|---|
| <b>PARTNERS' CAPITAL</b>  |                                   |   |
| <b>PREFERENCE UNITS</b>   |                                   |   |
| Balance, beginning of year  | \$ 50,000                         |   |
| Balance, end of period  | \$ 50,000                         |   |
| <b>GENERAL PARTNER</b>  |                                   |   |
| Balance, beginning of year  | \$ 10,612,363                     |   |
| OP Unit Issuance:   |                                   |   |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | 1,430                             |   |
| Exercise of EQR share options   | 25,685                            |   |
| EQR's Employee Share Purchase Plan (ESPP)   | 2,218                             |   |
| Share-based employee compensation expense:  |                                   |   |
| EQR restricted shares   | 6,983                             |   |
| EQR share options   | 5,330                             |   |
| EQR ESPP discount   | 587                               |   |
| OP Units repurchased and retired  | (1,777                            | ) |
| Net income available to Units – General Partner                                       | 189,753                           |   |
| OP Units – General Partner distributions  | (361,279                          | ) |
| Supplemental Executive Retirement Plan (SERP)   | 4,212                             |   |
| Acquisition of Noncontrolling Interests – Partially Owned Properties                  | (2,308                            | ) |
| Change in market value of Redeemable Limited Partners                                 | (80,615                           | ) |
| Adjustment for Limited Partners ownership in Operating Partnership                    | 4,146                             |   |
| Balance, end of period  | \$ 10,406,728                     |   |
| <b>LIMITED PARTNERS</b>   |                                   |   |
| Balance, beginning of year  | \$ 211,412                        |   |
| Issuance of LTIP Units to Limited Partners  | 3                                 |   |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | (1,430                            | ) |
| Equity compensation associated with Units – Limited Partners                          | 10,319                            |   |
| Net income available to Units – Limited Partners                                      | 7,535                             |   |
| Units – Limited Partners distributions  | (14,364                           | ) |
| Change in carrying value of Redeemable Limited Partners                               | 3,709                             |   |
| Adjustment for Limited Partners ownership in Operating Partnership                    | (4,146                            | ) |
| Balance, end of period  | \$ 213,038                        |   |
| <b>ACCUMULATED OTHER COMPREHENSIVE (LOSS)</b>   |                                   |   |
| Balance, beginning of year  | \$(155,162                        | ) |
| Accumulated other comprehensive (loss) – derivative instruments:                      |                                   |   |
| Unrealized holding (losses) arising during the period                                 | (21,881                           | ) |
| Losses reclassified into earnings from other comprehensive income                     | 8,335                             |   |
| Accumulated other comprehensive income – foreign currency:                            |                                   |   |

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|  |            |   |
|--|------------|---|
| Currency translation adjustments arising during the period | 1,718      |   |
| Balance, end of period                                     | \$(166,990 | ) |

See accompanying notes

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

Six Months Ended  
 June 30, 2014

NONCONTROLLING INTERESTS

NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES

|  |            |   |
|--|------------|---|
| Balance, beginning of year   | \$ 126,583 |   |
| Net income attributable to Noncontrolling Interests                  | 1,092      |   |
| Contributions by Noncontrolling Interests                            | 5,684      |   |
| Distributions to Noncontrolling Interests                            | (5,272)    | ) |
| Acquisition of Noncontrolling Interests – Partially Owned Properties | (2,244)    | ) |
| Balance, end of period   | \$ 125,843 |   |

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 June 30, 2014 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company’s property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues public equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

As of June 30, 2014, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 397 properties located in 12 states and the District of Columbia consisting of 111,491 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

|   | Properties | Apartment<br>Units |
|---|------------|--------------------|
| Wholly Owned Properties                     | 369        | 100,210            |
| Master-Leased Properties – Consolidated     | 3          | 853                |
| Partially Owned Properties – Consolidated   | 19         | 3,752              |
| Partially Owned Properties – Unconsolidated | 4          | 1,669              |
| Military Housing                            | 2          | 5,007              |
|   | 397        | 111,491            |

## 2. Summary of Significant Accounting Policies

## Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period financial statements in order to conform to the current year presentation. These reclassifications did not have an impact on net income previously reported. Operating results for the six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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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, 2013 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, 2013.

### Income and Other Taxes

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

Deferred tax assets and liabilities applicable to the TRS are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period enacted. The Company's deferred tax assets are generally the result of tax affected suspended interest deductions, net operating losses, differing depreciable lives on capitalized assets and the timing of expense recognition for certain accrued liabilities. As of June 30, 2014, the Company has recorded a deferred tax asset, which is fully offset by a valuation allowance due to the uncertainty in forecasting future TRS taxable income.

### Other

The Company is the controlling partner in various consolidated partnerships owning 19 properties and 3,752 apartment units and various completed and uncompleted development properties having a noncontrolling interest book value of \$125.8 million at June 30, 2014. 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 \$10.2 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 June 30, 2014, the Company estimates the value of Noncontrolling Interest distributions for these six properties would have been approximately \$53.2 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 June 30, 2014 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, 2013, companies are required to report, in one place, information about reclassifications out of accumulated other comprehensive income ("AOCI"). Companies are also 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.

Effective January 1, 2014, companies are required to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount a company agreed to pay on the basis of its arrangement among its co-obligors and any additional amount a company expects to pay on behalf of its co-obligors. Companies are required to disclose the nature and amount of the obligation as well as other information about those obligations. This does not have a material effect on the Company's consolidated results of operations or financial position.

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

In May 2014, the FASB issued a comprehensive new revenue recognition standard entitled Revenue from Contracts with Customers that will supersede nearly all existing revenue recognition guidance. The new standard specifically excludes lease contracts. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Companies will likely need to use more judgment and make more estimates than under current revenue recognition guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration, if any, to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard will be effective for the Company beginning on January 1, 2017 and early adoption is not permitted. The new standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company has not yet selected a transition method and is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

## 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 six months ended June 30, 2014:

|   | 2014        |   |
|---|-------------|---|
| Common Shares                                 |             |   |
| Common Shares outstanding at January 1,       | 360,479,260 |   |
| Common Shares Issued:                         |             |   |
| Conversion of OP Units                        | 56,536      |   |
| Exercise of share options                     | 851,514     |   |
| Employee Share Purchase Plan (ESPP)           | 47,457      |   |
| Restricted share grants, net                  | 170,626     |   |
| Common Shares Other:                          |             |   |
| Conversion of restricted shares to LTIP Units | (12,146     | ) |
| Repurchased and retired                       | (31,240     | ) |
| Common Shares outstanding at June 30,         | 361,562,007 |   |
| Units   |             |   |
| Units outstanding at January 1,               | 14,180,376  |   |
| LTIP Units, net                               | 200,840     |   |
| Conversion of restricted shares to LTIP Units | 12,146      |   |
| Conversion of OP Units to Common Shares       | (56,536     | ) |



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|   |             |   |
|---|-------------|---|
| Units outstanding at June 30,                         | 14,336,826  |   |
| Total Common Shares and Units outstanding at June 30, | 375,898,833 |   |
| 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.

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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 June 30, 2014 and December 31, 2013.

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 June 30, 2014, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately \$440.1 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Noncontrolling Interests – Operating Partnership Units.

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership for the six months ended June 30, 2014 (amounts in thousands):

|                          |           |
|--------------------------|-----------|
|                          | 2014      |
| Balance at January 1,    | \$363,144 |
| Change in market value   | 80,615    |
| Change in carrying value | (3,709)   |
| Balance at June 30,      | \$440,050 |

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 June 30, 2014 and December 31, 2013:

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|  |                        |                                     | Amounts in thousands |                      |
|--|------------------------|-------------------------------------|----------------------|----------------------|
|  | Redemption<br>Date (1) | Annual<br>Dividend per<br>Share (2) | June 30,<br>2014     | December 31,<br>2013 |
| Preferred Shares of beneficial interest, \$0.01 par value;<br>100,000,000 shares authorized;<br>8.29% Series K Cumulative Redeemable Preferred;<br>liquidation<br>value \$50 per share; 1,000,000 shares issued and<br>outstanding<br>at June 30, 2014 and December 31, 2013 | 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 six months ended June 30, 2014:

|   | 2014        |   |
|---|-------------|---|
| General and Limited Partner Units                                 |             |   |
| General and Limited Partner Units outstanding at January 1,       | 374,659,636 |   |
| Issued to General Partner:  |             |   |
| Exercise of EQR share options                                     | 851,514     |   |
| EQR's Employee Share Purchase Plan (ESPP)                         | 47,457      |   |
| EQR's restricted share grants, net                                | 170,626     |   |
| Issued to Limited Partners:                                       |             |   |
| LTIP Units, net   | 200,840     |   |
| OP Units Other:   |             |   |
| Repurchased and retired   | (31,240     | ) |
| General and Limited Partner Units outstanding at June 30,         | 375,898,833 |   |
| Limited Partner Units   |             |   |
| Limited Partner Units outstanding at January 1,                   | 14,180,376  |   |
| Limited Partner LTIP Units, net                                   | 200,840     |   |
| Conversion of EQR restricted shares to LTIP Units                 | 12,146      |   |
| Conversion of Limited Partner OP Units to EQR Common Shares       | (56,536     | ) |
| Limited Partner Units outstanding at June 30,                     | 14,336,826  |   |
| Limited Partner Units Ownership Interest in Operating Partnership | 3.8         | % |

The Limited Partners of the Operating Partnership as of June 30, 2014 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

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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 June 30, 2014 and December 31, 2013.

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 June 30, 2014, the Redeemable Limited Partner Units have a redemption value of approximately \$440.1 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Limited Partner Units.

The following table presents the changes in the redemption value of the Redeemable Limited Partners for the six months ended June 30, 2014 (amounts in thousands):

|                          |           |   |
|--------------------------|-----------|---|
|                          | 2014      |   |
| Balance at January 1,    | \$363,144 |   |
| Change in market value   | 80,615    |   |
| Change in carrying value | (3,709    | ) |
| Balance at June 30,      | \$440,050 |   |

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 June 30, 2014 and December 31, 2013:

|  | Redemption Date (1) | Annual Dividend per Unit (2) | Amounts in thousands |                   |
|--|---------------------|------------------------------|----------------------|-------------------|
|  |                     |                              | June 30, 2014        | December 31, 2013 |
| Preference Units:  |                     |                              |                      |                   |
| 8.29% Series K Cumulative Redeemable Preference Units;   |                     |                              |                      |                   |
| liquidation value \$50 per unit; 1,000,000 units issued and outstanding at June 30, 2014 and December 31, 2013 | 12/10/26            | \$4.145                      | \$50,000             | \$50,000          |
|  |                     |                              | \$50,000             | \$50,000          |

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.

(1) 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.

In September 2009, the Company announced the establishment of an At-The-Market (“ATM”) share offering program which would allow EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). On July 30, 2013, the Board of Trustees approved an increase to the amount of shares which may be offered under the ATM

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program to 13.0 million Common Shares and extended the program maturity to July 2016. EQR has not issued any shares under this program since September 14, 2012.

Effective July 30, 2013, the Board of Trustees approved an increase and modification to the Company's share repurchase program to allow for the potential repurchase of up to 13.0 million Common Shares. Considering the repurchase activity for the six months ended June 30, 2014 (see discussion below), EQR has remaining authorization to repurchase an additional 12,968,760 of its shares as of June 30, 2014.

During the six months ended June 30, 2014, EQR repurchased 31,240 of its Common Shares at a price of \$56.87 per share for total consideration of approximately \$1.8 million. These shares were retired subsequent to the repurchases. Concurrent with these transactions, ERPOP repurchased and retired 31,240 OP Units previously issued to EQR. All of the shares repurchased during the six months ended June 30, 2014 were repurchased from employees at the then current market price to cover the minimum statutory tax withholding obligations related to the vesting of employees' restricted shares.

During the six months ended June 30, 2014, the Company acquired all of its partners' interests in one consolidated partially owned property consisting of 268 apartment units and one consolidated partially owned land parcel for \$5.5 million. In conjunction with these transactions, the Company reduced paid in capital (included in general partner's capital in the Operating Partnership's financial statements) by \$2.3 million, Noncontrolling Interests – Partially Owned Properties by \$2.2 million and other liabilities by \$1.0 million.

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

#### 4. Real Estate and Lease Intangibles

The following table summarizes the carrying amounts for the Company's investment in real estate (at cost) as of June 30, 2014 and December 31, 2013 (amounts in thousands):

|                                   | June 30,<br>2014 | December 31,<br>2013 |
|-----------------------------------|------------------|----------------------|
| Land                              | \$6,296,735      | \$6,192,512          |
| Depreciable property:             |                  |                      |
| Buildings and improvements        | 17,920,222       | 17,509,609           |
| Furniture, fixtures and equipment | 1,302,882        | 1,214,220            |
| In-Place lease intangibles        | 507,633          | 502,218              |
| Projects under development:       |                  |                      |
| Land                              | 391,156          | 353,574              |
| Construction-in-progress          | 615,836          | 635,293              |
| Land held for development:        |                  |                      |
| Land                              | 256,536          | 341,389              |
| Construction-in-progress          | 50,089           | 52,133               |
| Investment in real estate         | 27,341,089       | 26,800,948           |
| Accumulated depreciation          | (5,170,438       | ) (4,807,709         |
| Investment in real estate, net    | \$22,170,651     | \$21,993,239         |

The following table summarizes the carrying amounts for the Company's above and below market ground and retail lease intangibles as of June 30, 2014 and December 31, 2013 (amounts in thousands):



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| Description                             | Balance Sheet Location | June 30, 2014 | December 31, 2013 |
|---|------------------------|---------------|-------------------|
| <b>Assets</b>                           |                        |               |                   |
| Ground lease intangibles – below market | Other Assets           | \$ 178,251    | \$ 178,251        |
| Retail lease intangibles – above market | Other Assets           | 1,260         | 1,260             |
| Lease intangible assets                 |                        | 179,511       | 179,511           |
| Accumulated amortization                |                        | (6,641        | ) (4,364          |
| Lease intangible assets, net            |                        | \$ 172,870    | \$ 175,147        |
| <b>Liabilities</b>                      |                        |               |                   |
| Ground lease intangibles – above market | Other Liabilities      | \$ 2,400      | \$ 2,400          |
| Retail lease intangibles – below market | Other Liabilities      | 5,270         | 5,500             |
| Lease intangible liabilities            |                        | 7,670         | 7,900             |
| Accumulated amortization                |                        | (1,678        | ) (1,161          |
| Lease intangible liabilities, net       |                        | \$ 5,992      | \$ 6,739          |

During the six months ended June 30, 2014 and 2013, the Company amortized approximately \$2.2 million and \$1.4 million, respectively, of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statements of operations and comprehensive income and approximately \$0.6 million and \$0.2 million, respectively, of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statements of operations and comprehensive income. During the quarters ended June 30, 2014 and 2013, the Company amortized approximately \$1.1 million and \$1.0 million, respectively, of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statements of operations and comprehensive income and approximately \$0.3 million and \$0.1 million, respectively, of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statements of operations and comprehensive income.

The weighted average amortization period for above and below market ground lease intangibles and retail lease intangibles is 49.8 years and 2.8 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):

|                          | Remaining 2014 | 2015     | 2016     | 2017     | 2018     | 2019     |
|--------------------------|----------------|----------|----------|----------|----------|----------|
| Ground lease intangibles | \$ 2,161       | \$ 4,321 | \$ 4,321 | \$ 4,321 | \$ 4,321 | \$ 4,321 |
| Retail lease intangibles | (469           | ) (939   | ) (896   | ) (540   | ) (71    | ) (71    |
| Total                    | \$ 1,692       | \$ 3,382 | \$ 3,425 | \$ 3,781 | \$ 4,250 | \$ 4,250 |

## Archstone Acquisition

On February 27, 2013, the Company, AvalonBay Communities, Inc. (“AVB”) and certain of their respective subsidiaries completed their previously announced acquisition (the “Archstone Acquisition” or the “Archstone Transaction”) from Archstone Enterprise LP (“Enterprise”) (which subsequently changed its name to Jupiter Enterprise LP), an affiliate of Lehman Brothers Holdings Inc. (“Lehman”) 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”).

The Company acquired assets representing approximately 60% of the Archstone Portfolio which consisted principally of high-quality apartment properties in major markets in the United States. The acquisition allowed the Company to accelerate the completion of its strategic shift into coastal apartment markets. 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

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approximately \$9.0 billion. During the six months ended June 30, 2013, the Company recorded revenues and net operating income ("NOI") of \$204.5 million and \$140.0 million, respectively, from the acquired assets. During the quarter ended June 30, 2013, the Company recorded revenues and NOI of \$151.9 million and \$103.9 million, respectively, from the acquired assets.

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 issuance of 21,850,000 Common Shares (which shares had a total value of approximately \$1.2 billion based on a price of \$54.75 per share) in the November/December 2012 public equity offering, asset sales of approximately \$4.5 billion that were completed during the year ended December 31, 2013, the Company's \$750.0 million unsecured term loan facility (which was subsequently paid off in the second quarter of 2014) and the Company's revolving credit facility.

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 accounted for the acquisition under the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"), and the accounting for this business combination is complete and final. 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):

|  |             |   |
|--|-------------|---|
| Land                                   | \$2,239,000 |   |
| Depreciable property:                  |             |   |
| Buildings and improvements             | 5,765,538   |   |
| Furniture, fixtures and equipment      | 61,470      |   |
| In-Place lease intangibles             | 304,830     |   |
| Projects under development             | 36,583      |   |
| Land held for development              | 244,097     |   |
| Investments in unconsolidated entities | 230,608     |   |
| Other assets                           | 195,260     |   |
| Other liabilities                      | (108,997    | ) |
| Net assets acquired                    | \$8,968,389 |   |

The allocation of fair values of the assets acquired and liabilities assumed has changed from the allocation reported in "Note 4 – Real Estate and Lease Intangibles" in the Notes to Consolidated Financial Statements included in Part II of our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 27, 2014. The changes to our valuation assumptions were based on more accurate information concerning the subject assets and liabilities and resulted from information not readily available at the acquisition date, final purchase price settlement with our partner in accordance with the terms of the purchase agreement and reclassification adjustments for presentation. None of these changes had a material impact on our Consolidated Financial Statements. The Company's assessment of the fair values and the allocation of the purchase price to the identified tangible and intangible

assets/liabilities at March 31, 2014 was its final and best estimate of fair value. As a result, the Company did not make any changes to its allocation of fair values of the assets acquired and liabilities assumed subsequent to the allocation reported in "Note 4 – Real Estate and Lease Intangibles" in the Notes to Consolidated Financial Statements included in Part I of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the SEC on May 8, 2014.

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 used 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

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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 an affiliate of 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 (amounts in thousands):

| Description                             | Balance Sheet Location | Fair Value |
|---|------------------------|------------|
| Ground lease intangibles – below market | Other Assets           | \$178,251  |
| Retail lease intangibles – above market | Other Assets           | 1,260      |
| Ground lease intangibles – above market | Other Liabilities      | 2,400      |
| Retail lease intangibles – below market | Other Liabilities      | 8,040      |

As of June 30, 2014, the Company has incurred cumulative Archstone-related expenses of approximately \$100.9 million, of which approximately \$13.5 million of this total was financing-related and approximately \$87.4 million was merger costs. During the six months ended June 30, 2014, the Company expensed nominal amounts of direct merger costs. During the six months ended June 30, 2013, the Company expensed \$19.6 million of direct merger costs primarily related to investment banking and legal/accounting fees, which were included in other expenses in the accompanying consolidated statements of operations and comprehensive income. During the six months ended June 30, 2014 and 2013, the Company also expensed \$6.2 million and \$53.0 million, respectively, of indirect merger costs primarily related to severance and retention obligations, office leases and German operations/sales that were incurred through our 60% interest in unconsolidated joint ventures with AVB, which were included in (loss) from investments in unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income. Finally, during the six months ended June 30, 2013, the Company also expensed \$2.5 million of financing-related costs, which were included in interest expense in the accompanying consolidated statements of operations and comprehensive income.

## 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 (amounts in thousands, except per share amounts):

|  | Six Months Ended<br>June 30, 2013 | Quarter Ended<br>June 30, 2013 |
|--|-----------------------------------|--------------------------------|
| Total revenues                                 | \$1,256,088                       | \$635,078                      |
| Income from continuing operations              | 60,541                            | 96,585                         |
| Discontinued operations, net                   | 1,608,374                         | 389,329                        |
| Net income                                     | 1,668,915                         | 485,914                        |
| Net income available to Common Shares          | 1,601,368                         | 467,237                        |
| Earnings per share - basic:                    |                                   |                                |
| Net income available to Common Shares          | \$4.45                            | \$1.30                         |
| Weighted average Common Shares outstanding (1) | 359,509                           | 359,653                        |
| Earnings per share - diluted:                  |                                   |                                |

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|  |         |         |
|--|---------|---------|
| Net income available to Common Shares          | \$4.44  | \$1.29  |
| Weighted average Common Shares outstanding (1) | 375,722 | 375,910 |

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

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## 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 (amounts in thousands, except per Unit amounts):

|  | Six Months Ended<br>June 30, 2013 | Quarter Ended<br>June 30, 2013 |
|--|-----------------------------------|--------------------------------|
| Total revenues                         | \$1,256,088                       | \$635,078                      |
| Income from continuing operations      | 60,541                            | 96,585                         |
| Discontinued operations, net           | 1,608,374                         | 389,329                        |
| Net income                             | 1,668,915                         | 485,914                        |
| Net income available to Units          | 1,668,439                         | 485,693                        |
| Earnings per Unit - basic:             |                                   |                                |
| Net income available to Units          | \$4.45                            | \$1.30                         |
| Weighted average Units outstanding (1) | 373,245                           | 373,403                        |
| Earnings per Unit - diluted:           |                                   |                                |
| Net income available to Units          | \$4.44                            | \$1.29                         |
| Weighted average Units outstanding (1) | 375,722                           | 375,910                        |

Includes an adjustment for Common Shares issued to the public in November/December 2012 and to an affiliate of (1)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.

For the six months ended June 30, 2013, acquisition costs of \$19.6 million and severance/retention and other costs of \$50.9 million 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 more 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 November/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.

## Other

During the six months ended June 30, 2014, the Company acquired the entire equity interest in the following from unaffiliated parties (purchase price in thousands):

|                                  | Properties | Apartment Units | Purchase Price |
|----------------------------------|------------|-----------------|----------------|
| Rental Properties – Consolidated | 3          | 772             | \$249,610      |
| Land Parcels – Consolidated      | —          | —               | 15,790         |
| Total                            | 3          | 772             | \$265,400      |

During the six months ended June 30, 2014, the Company disposed of the following to unaffiliated parties (sales price in thousands):

|                   | Properties | Apartment Units | Sales Price |
|-------------------|------------|-----------------|-------------|
| Rental Properties | 1          | 336             | \$40,850    |

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|             |   |     |          |
|-------------|---|-----|----------|
| Land Parcel | — | —   | 8,200    |
| Total       | 1 | 336 | \$49,050 |

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The Company recognized a net gain on sales of real estate properties of approximately \$14.9 million and a net gain on sales of land parcels of approximately \$0.8 million on the above sales.

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

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

|             | Properties | Apartment Units | Purchase Price |
|-------------|------------|-----------------|----------------|
| Land Parcel | —          | —               | \$3,300        |
| Total       | —          | —               | \$3,300        |

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

|                   | Properties | Apartment Units | Sales Price |
|-------------------|------------|-----------------|-------------|
| Rental Properties | 6          | 2,005           | \$306,350   |
| Land Parcel       | —          | —               | 54,402      |
| Total             | 6          | 2,005           | \$360,752   |

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 June 30, 2014 (amounts in thousands except for project and apartment unit amounts):

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|  | Consolidated<br>Development<br>Projects    |            |             | Unconsolidated<br>Development Projects     |  |           |           |
|--|--|------------|-------------|--|--|-----------|-----------|
|  | Held for<br>and/or<br>Under<br>Development | Operating  | Total       | Held for<br>and/or<br>Under<br>Development | Completed,<br>Not<br>Stabilized<br>(3) | Operating | Total     |
| Total projects (1)   | —  | 19         | 19          | —  | 2                                      | 2         | 4         |
| Total apartment units (1)  | —  | 3,752      | 3,752       | —  | 945                                    | 724       | 1,669     |
| Balance sheet information<br>at 6/30/14 (at 100%):   |  |            |             |  |  |           |           |
| ASSETS   |  |            |             |  |  |           |           |
| Investment in real estate  | \$329,668                                  | \$676,848  | \$1,006,516 | \$55,998                                   | \$233,411                              | \$108,164 | \$397,573 |
| Accumulated depreciation   | —  | (183,571 ) | (183,571 )  | —  | (6,693 )                               | (7,136 )  | (13,829 ) |
| Investment in real estate,<br>net  | 329,668                                    | 493,277    | 822,945     | 55,998                                     | 226,718                                | 101,028   | 383,744   |
| Cash and cash equivalents  | 4,488                                      | 14,125     | 18,613      | 454  | 2,830                                  | 1,582     | 4,866     |
| Investments in<br>unconsolidated entities  | —  | 53,209     | 53,209      | —  | —                                      | —         | —         |
| Deposits – restricted  | 34,761                                     | 250        | 35,011      | —  | 130                                    | 47        | 177       |
| Deferred financing costs,<br>net   | —  | 2,318      | 2,318       | 53   | 4                                      | 122       | 179       |
| Other assets   | 6,679                                      | 26,176     | 32,855      | 14   | 41                                     | 1,250     | 1,305     |
| Total assets   | \$375,596                                  | \$589,355  | \$964,951   | \$56,519                                   | \$229,723                              | \$104,029 | \$390,271 |
| LIABILITIES AND<br>EQUITY/CAPITAL  |  |            |             |  |  |           |           |
| Mortgage notes payable (2)   | \$—  | \$360,305  | \$360,305   | \$21,982                                   | \$145,016                              | \$63,305  | \$230,303 |
| Accounts payable &<br>accrued expenses   | 12,313                                     | 1,730      | 14,043      | 5,095                                      | 955                                    | 350       | 6,400     |
| Accrued interest payable   | —  | 1,265      | 1,265       | 43   | 687                                    | 42        | 772       |
| Other liabilities  | 140  | 1,252      | 1,392       | —  | 244                                    | 1,046     | 1,290     |
| Security deposits  | —  | 1,916      | 1,916       | —  | 279                                    | 140       | 419       |
| Total liabilities  | 12,453                                     | 366,468    | 378,921     | 27,120                                     | 147,181                                | 64,883    | 239,184   |
| Noncontrolling Interests –<br>Partially Owned<br>Properties/Partners' equity<br>Company equity/General<br>and Limited Partners'<br>Capital | 117,677                                    | 8,166      | 125,843     | 27,858                                     | 70,428                                 | 23,434    | 121,720   |
| Total equity/capital   | 363,143                                    | 222,887    | 586,030     | 29,399                                     | 82,542                                 | 39,146    | 151,087   |
| Total liabilities and<br>equity/capital  | \$375,596                                  | \$589,355  | \$964,951   | \$56,519                                   | \$229,723                              | \$104,029 | \$390,271 |



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|  | Consolidated<br>Development<br>Projects    |           |          | Unconsolidated<br>Development Projects     |  |           |            |
|--|--|-----------|----------|--|--|-----------|------------|
|  | Held for<br>and/or<br>Under<br>Development | Operating | Total    | Held for<br>and/or<br>Under<br>Development | Completed,<br>Not<br>Stabilized<br>(3) | Operating | Total      |
| Operating information for<br>the six months<br>ended 6/30/14 (at 100%):  |  |           |          |  |  |           |            |
| Operating revenue  | \$—  | \$43,110  | \$43,110 | \$—  | \$7,958                                | \$5,060   | \$13,018   |
| Operating expenses   | 154  | 12,825    | 12,979   | 132  | 3,287                                  | 1,856     | 5,275      |
| Net operating (loss) income  | (154 )                                     | 30,285    | 30,131   | (132 )                                     | 4,671                                  | 3,204     | 7,743      |
| Depreciation   | —  | 10,768    | 10,768   | —  | 5,299                                  | 2,039     | 7,338      |
| General and<br>administrative/other  | (3 )                                       | 26        | 23       | —  | 1                                      | 122       | 123        |
| Operating (loss) income  | (151 )                                     | 19,491    | 19,340   | (132 )                                     | (629 )                                 | 1,043     | 282        |
| Interest and other income  | —  | 3         | 3        | —  | —                                      | —         | —          |
| Other expenses   | (76 )                                      | (32 )     | (108 )   | —  | —                                      | —         | —          |
| Interest:  |  |           |          |  |  |           |            |
| Expense incurred, net  | —  | (7,788 )  | (7,788 ) | —  | (3,864 )                               | (926 )    | (4,790 )   |
| Amortization of deferred<br>financing costs  | —  | (177 )    | (177 )   | —  | —                                      | (7 )      | (7 )       |
| (Loss) income before<br>income and other taxes<br>and (loss) from investments<br>in<br>unconsolidated entities | (227 )                                     | 11,497    | 11,270   | (132 )                                     | (4,493 )                               | 110       | (4,515 )   |
| Income and other tax<br>(expense) benefit  | —  | (45 )     | (45 )    | —  | (7 )                                   | —         | (7 )       |
| (Loss) from investments in<br>unconsolidated<br>entities   | —  | (879 )    | (879 )   | —  | —                                      | —         | —          |
| Net (loss) income  | \$(227 )                                   | \$10,573  | \$10,346 | \$(132 )                                   | \$(4,500 )                             | \$110     | \$(4,522 ) |

- (1) Project and apartment unit counts exclude all uncompleted development projects until those projects are substantially completed.
- (2) All debt is non-recourse to the Company with the exception of 50% of the current \$22.0 million outstanding debt balance on one unconsolidated development project.
- (3) Projects included here are substantially complete. However, they may still require additional exterior and interior work for all units to be available for leasing.

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 \$76.8 million at June 30, 2014. 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 \$125.8 million at June 30, 2014. The Company does not have any VIEs.

#### Archstone Acquisition

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:

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 project contains 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 \$198.5 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 entire project and owns and operates the parking facility.

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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 developed certain land parcels into a 388 unit apartment building located in Phoenix, Arizona and was completed and stabilized during the quarter ended June 30, 2014. The Company has an 85% equity interest with an initial basis of \$16.9 million. Total project costs were approximately \$52.8 million and construction was partially funded with a construction loan that was 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 \$33.0 million; the loan bears interest at LIBOR plus 2.00% and matures January 6, 2015. The partner is the managing member and developed 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 \$30.3 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.

Parc on Powell (formerly known as 1333 Powell) – This venture is currently developing certain land parcels into a 176 unit apartment building located in Emeryville, California. The Company has a 5% equity interest with an initial obligation of approximately \$2.1 million. Total project costs are expected to be approximately \$75.0 million and construction is being partially funded with a construction loan. The loan has a maximum debt commitment of \$39.5 million and a current unconsolidated outstanding balance of \$22.0 million; the loan bears 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. 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, such as interests in a six property 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 \$147.6 million. The Residual JV 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 Residual JV is unconsolidated and recorded using the equity method of accounting.

During the six months ended June 30, 2014, the Company closed on the sale of its unconsolidated interest in the German portfolio fund and the German management company, representing the sale of the majority of the remaining German real estate assets that were acquired by the Residual JV as part of the Archstone Acquisition. The Company's pro rata share of the proceeds/distributions that have been repatriated to the Residual JV and received by the Company as a result of the German dispositions was approximately \$64.7 million during the six months ended June 30, 2014 and \$83.6 million cumulatively since the closing of the Archstone Acquisition.

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. During the year ended December 31, 2013, the Company purchased with AVB \$65.0 million (of which the Company's 60% share was \$39.0

million) of the preferred interests assumed by Legacy JV. At June 30, 2014, the remaining preferred interests have an aggregate liquidation value of \$76.8 million, our share of which is included in other liabilities in the accompanying consolidated balance sheets. Obligations of the Legacy JV are borne 60% by the Company and 40% by AVB. The Legacy JV 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 Legacy JV is unconsolidated and recorded using the equity method of accounting.

Other

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

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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 June 30, 2014, the Company's and Toll Brothers' consolidated contributions to the joint venture were approximately \$327.9 million, of which Toll Brothers' noncontrolling interest balance totaled \$117.4 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 projects are now unconsolidated. Details of these projects follow:

Nexus Sawgrass – This development project is substantially complete. Total project costs are expected to be approximately \$79.0 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$48.7 million and a current unconsolidated outstanding balance of \$48.6 million; the loan bears interest at 5.60% and matures January 1, 2021.

Domain – This development project is substantially complete. Total project costs are expected to be approximately \$155.8 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$98.6 million and a current unconsolidated outstanding balance of \$96.4 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, was 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. The Company currently has no further funding obligations related to these projects.

7. Deposits – Restricted and Escrow Deposits –  
Mortgage

The following table presents the Company's restricted deposits as of June 30, 2014 and December 31, 2013 (amounts in thousands):

|  | June 30,<br>2014 | December 31,<br>2013 |
|--|------------------|----------------------|
| Earnest money on pending acquisitions          | \$830            | \$4,514              |
| Restricted deposits on real estate investments | 36,476           | 53,771               |
| Resident security and utility deposits         | 46,597           | 44,777               |
| Other  | 505              | 505                  |
| Totals   | \$84,408         | \$103,567            |

The following table presents the Company's escrow deposits as of June 30, 2014 and December 31, 2013 (amounts in thousands):

|   | June 30,<br>2014 | December 31,<br>2013 |
|---|------------------|----------------------|
| Real estate taxes and insurance           | \$3,500          | \$3,687              |
| Replacement reserves                      | 3,469            | 4,229                |
| Mortgage principal reserves/sinking funds | 37,448           | 33,868               |



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|        |          |          |
|--------|----------|----------|
| Other  | 852      | 852      |
| Totals | \$45,269 | \$42,636 |

8. Debt

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. EQR guarantees the Operating Partnership's revolving credit facility up to the maximum amount and for the full term of the facility.

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Mortgage Notes Payable

As of June 30, 2014, the Company had outstanding mortgage debt of approximately \$5.2 billion.

During the six months ended June 30, 2014, the Company:

Repaid \$9.1 million of mortgage loans.

As of June 30, 2014, the Company had \$700.5 million of secured debt subject to third party credit enhancement.

As of June 30, 2014, scheduled maturities for the Company's outstanding mortgage indebtedness were at various dates through May 1, 2061. At June 30, 2014, the interest rate range on the Company's mortgage debt was 0.03% to 7.25%. During the six months ended June 30, 2014, the weighted average interest rate on the Company's mortgage debt was 4.23%.

Notes

As of June 30, 2014, the Company had outstanding unsecured notes of approximately \$5.9 billion.

During the six months ended June 30, 2014, the Company:

Repaid its \$750.0 million unsecured term loan facility in conjunction with the note issuances discussed below; Issued \$450.0 million of five-year 2.375% fixed rate public notes, receiving net proceeds of \$449.6 million before underwriting fees and other expenses, at an all-in effective interest rate of 2.52% and swapped the notes to a floating interest rate in conjunction with the issuance (see Note 9 for further discussion); and Issued \$750.0 million of thirty-year 4.50% fixed rate public notes, receiving net proceeds of \$744.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 4.57% after termination of various forward starting swaps in conjunction with the issuance (see Note 9 for further discussion).

As of June 30, 2014, scheduled maturities for the Company's outstanding notes were at various dates through 2044. At June 30, 2014, the interest rate range on the Company's notes was 2.375% to 7.57%. During the six months ended June 30, 2014, the weighted average interest rate on the Company's notes was 4.97%.

Lines of Credit

On January 11, 2013, the Company replaced its existing \$1.75 billion facility with a \$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 facility will generally be LIBOR plus a spread (currently 1.05%) and the Company pays an annual facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt.

As of June 30, 2014, the amount available on the credit facility was \$2.47 billion (net of \$34.8 million which was restricted/dedicated to support letters of credit). During the six months ended June 30, 2014, the weighted average interest rate was 0.96%.

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 notes were approximately \$5.2 billion and \$5.9 billion, respectively, at June 30, 2014. The fair values of the Company's mortgage notes payable and unsecured notes were approximately \$5.2 billion (Level 2) and \$6.4 billion (Level 2), respectively, at June 30, 2014. The carrying values of the Company's mortgage notes payable and unsecured debt (including its line of credit) were approximately \$5.2 billion and \$5.6 billion, respectively, at December 31, 2013. The fair values of the Company's mortgage notes payable and unsecured debt (including its line of credit) were approximately \$5.1 billion (Level 2) and \$5.9 billion (Level 2), respectively, at December 31, 2013. The fair

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values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, lines of credit and derivative instruments), 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 June 30, 2014 (dollar amounts are in thousands):

|                           | Fair Value<br>Hedges (1) | Forward<br>Starting<br>Swaps (2) |   |
|---------------------------|--------------------------|----------------------------------|---|
| Current Notional Balance  | \$450,000                | \$100,000                        |   |
| Lowest Possible Notional  | \$450,000                | \$100,000                        |   |
| Highest Possible Notional | \$450,000                | \$100,000                        |   |
| Lowest Interest Rate      | 2.375                    | % 3.140                          | % |
| Highest Interest Rate     | 2.375                    | % 3.191                          | % |
| Earliest Maturity Date    | 2019                     | 2025                             |   |
| Latest Maturity Date      | 2019                     | 2025                             |   |

(1) Fair Value Hedges – Converts outstanding fixed rate unsecured notes (\$450.0 million 2.375% notes due July 1, 2019) to a floating interest rate of 90-Day LIBOR plus 0.61%.

(2) Forward Starting Swaps – Designed to partially fix interest rates in advance of a planned future debt issuance. These swaps have mandatory counterparty terminations in 2016, and are targeted to 2015 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 sheets. Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners are valued using the quoted market price of Common Shares. The fair values disclosed for mortgage notes payable and unsecured debt (including its 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 June 30, 2014 and December 31, 2013, respectively (amounts in thousands):

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| Description   | Balance Sheet Location | 6/30/2014  | 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           | \$ 1,452   | \$—  | \$ 1,452                                      | \$—                                       |
| Supplemental Executive Retirement Plan  | Other Assets           | 97,543     | 97,543   | —   | —   |
| Total   |                        | \$98,995   | \$97,543   | \$ 1,452                                      | \$—                                       |
| Liabilities   |                        |            |  |   |   |
| Derivatives designated as hedging instruments:  |                        |            |  |   |   |
| Interest Rate Contracts:  |                        |            |  |   |   |
| Forward Starting Swaps  | Other Liabilities      | \$ 2,346   | \$—  | \$ 2,346                                      | \$—                                       |
| Supplemental Executive Retirement Plan  | Other Liabilities      | 97,543     | 97,543   | —   | —   |
| Total   |                        | \$99,889   | \$97,543   | \$ 2,346                                      | \$—                                       |
| Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners |                        |            |  |   |   |
|   | Mezzanine              | \$ 440,050 | \$—  | \$ 440,050                                    | \$—                                       |

| Description                                    | Balance Sheet Location | 12/31/2013 | 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:                       |                        |            |  |   |   |
| Forward Starting Swaps                         | Other Assets           | \$ 18,710  | \$—  | \$ 18,710                                     | \$—                                       |
| Supplemental Executive Retirement Plan         | Other Assets           | 83,845     | 83,845   | —   | —   |
| Total  |                        | \$ 102,555 | \$83,845   | \$ 18,710                                     | \$—                                       |
| Liabilities                                    |                        |            |  |   |   |
| Supplemental Executive Retirement Plan         | Other Liabilities      | \$ 83,845  | \$83,845   | \$—   | \$—                                       |

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|   |           |            |           |           |     |
|---|-----------|------------|-----------|-----------|-----|
| Total   |           | \$ 83,845  | \$ 83,845 | \$—       | \$— |
| Redeemable Noncontrolling<br>Interests –<br>Operating<br>Partnership/Redeemable<br>Limited Partners | Mezzanine | \$ 363,144 | \$—       | \$363,144 | \$— |

The following tables provide a summary of the effect of fair value hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the six months ended June 30, 2014 and 2013, respectively (amounts in thousands):

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| June 30, 2014<br>Type of Fair Value Hedge      | Location of<br>Gain/(Loss)<br>Recognized in<br>Income on<br>Derivative | Amount of<br>Gain/(Loss)<br>Recognized in Hedged Item<br>Income on<br>Derivative |                 | Income Statement<br>Location of<br>Hedged Item<br>Gain/(Loss) | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Hedged Item |
|--|--|--|-----------------|---|---|
| Derivatives designated as hedging instruments: |  |  |                 |   |   |
| Interest Rate Contracts:                       |  |  |                 |   |   |
| Interest Rate Swaps                            | Interest expense   | \$ 1,452   | Fixed rate debt | Interest expense  | \$(1,452 )  |
| Total  |  | \$ 1,452   |                 |   | \$(1,452 )  |

| June 30, 2013<br>Type of Fair Value Hedge      | Location of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Derivative | Amount of<br>Gain/(Loss)<br>Recognized in Hedged Item<br>Income<br>on Derivative |                 | Income Statement<br>Location of<br>Hedged Item<br>Gain/(Loss) | Amount of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Hedged Item |
|--|--|--|-----------------|---|---|
| Derivatives designated as hedging instruments: |  |  |                 |   |   |
| Interest Rate Contracts:                       |  |  |                 |   |   |
| Interest Rate Swaps                            | Interest expense   | \$(1,524 )   | Fixed rate debt | Interest expense  | \$ 1,524  |
| Total  |  | \$(1,524 )   |                 |   | \$ 1,524  |

The following tables provide a summary of the effect of cash flow hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the six months ended June 30, 2014 and 2013, respectively (amounts in thousands):

| June 30, 2014<br>Type of Cash Flow Hedge       | Effective Portion  |   |   | Ineffective Portion  |   |
|--|--|---|---|--|---|
|  | Amount of<br>Gain/(Loss)<br>Recognized in<br>OCI<br>on<br>Derivative | Location of<br>Gain/<br>(Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI into<br>Income | Amount of<br>Gain/<br>(Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI into<br>Income | Location of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Derivative | Amount of<br>Gain/<br>(Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI into<br>Income |
| Derivatives designated as hedging instruments: |  |   |   |  |   |
| Interest Rate Contracts:                       |  |   |   |  |   |
| Forward Starting Swaps/Treasury Locks          | \$(21,790 )  | Interest expense  | \$(8,335 )  | Interest expense   | \$91  |
| Total  | \$(21,790 )  |   | \$(8,335 )  |  | \$91  |

| June 30, 2013<br>Type of Cash Flow Hedge       | Effective Portion                                |  |  | Ineffective Portion  |  |
|--|--|--|--|--|--|
|  | Amount of<br>Gain/(Loss)<br>Recognized in<br>OCI | Location of<br>Gain/<br>(Loss)<br>Reclassified<br>from | Amount of<br>Gain/<br>(Loss)<br>Reclassified<br>from | Location of<br>Gain/(Loss)<br>Recognized in<br>Income<br>on Derivative | Amount of<br>Gain/<br>(Loss)<br>Reclassified<br>from |
| Derivatives designated as hedging instruments: |  |  |  |  |  |
| Interest Rate Contracts:                       |  |  |  |  |  |
| Forward Starting Swaps/Treasury Locks          |  |  |  |  |  |
| Total  |  |  |  |  |  |



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|  | on<br>Derivative | Accumulated<br>OCI into<br>Income | Accumulated<br>OCI into<br>Income | Accumulated<br>OCI into<br>Income |
|--|------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Derivatives designated as hedging instruments: |                  |                                   |                                   |                                   |
| Interest Rate Contracts:                       |                  |                                   |                                   |                                   |
| Forward Starting Swaps/Treasury Locks          | \$12,337         | Interest expense                  | \$(12,098 )                       | N/A                               |
| Total  | \$12,337         |                                   | \$(12,098 )                       | \$—                               |

As of June 30, 2014 and December 31, 2013, there were approximately \$169.3 million and \$155.8 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 June 30, 2014, the Company may recognize an estimated \$22.0 million of accumulated other comprehensive (loss) as additional interest expense during the twelve months ending June 30, 2015.

In June 2014, the Company paid a net \$2.0 million to settle seven forward starting ten-year swaps in conjunction with the issuance of \$750.0 million of thirty-year fixed rate public notes. The ineffective portion of approximately \$0.1 million was recorded as a decrease to interest expense and accrued interest of approximately \$1.3 million was recorded as an increase to interest expense. The remaining amount of approximately \$0.8 million will be deferred as a component of accumulated other comprehensive (loss) and recognized as an increase to interest expense over the first nine years and ten months of the notes.

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## 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):

|  | Six Months Ended June 30, |              | Quarter Ended June 30, |             |
|--|---------------------------|--------------|------------------------|-------------|
|  | 2014                      | 2013         | 2014                   | 2013        |
| Numerator for net income per share – basic:  |                           |              |                        |             |
| Income (loss) from continuing operations   | \$ 183,987                | \$(223,850 ) | \$ 102,307             | \$(58,511 ) |
| Allocation to Noncontrolling Interests – Operating Partnership, net                                  | (7,475 )                  | 9,078        | (4,422 )               | 2,231       |
| Net gain on sales of real estate properties  | 14,903                    | —            | 14,903                 | —           |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties              | (1,092 )                  | 790          | (588 )                 | 815         |
| Preferred distributions  | (2,072 )                  | (2,072 )     | (1,036 )               | (1,036 )    |
| Income (loss) from continuing operations available to Common Shares, net of Noncontrolling Interests | 188,251                   | (216,054 )   | 111,164                | (56,501 )   |
| Discontinued operations, net of Noncontrolling Interests   | 1,502                     | 1,556,427    | 490                    | 380,224     |
| Numerator for net income per share – basic   | \$ 189,753                | \$ 1,340,373 | \$ 111,654             | \$ 323,723  |
| Numerator for net income per share – diluted (1):  |                           |              |                        |             |
| Income from continuing operations  | \$ 183,987                |              | \$ 102,307             |             |
| Net gain on sales of real estate properties  | 14,903                    |              | 14,903                 |             |
| Net (income) attributable to Noncontrolling Interests – Partially Owned Properties                   | (1,092 )                  |              | (588 )                 |             |
| Preferred distributions  | (2,072 )                  |              | (1,036 )               |             |
| Income from continuing operations available to Common Shares   | 195,726                   |              | 115,586                |             |
| Discontinued operations, net   | 1,562                     |              | 510                    |             |
| Numerator for net income per share – diluted (1)   | \$ 197,288                | \$ 1,340,373 | \$ 116,096             | \$ 323,723  |
| Denominator for net income per share – basic and diluted (1):  |                           |              |                        |             |
| Denominator for net income per share – basic   | 360,641                   | 348,654      | 360,809                | 359,653     |
| Effect of dilutive securities:   |                           |              |                        |             |
| OP Units   | 13,736                    |              | 13,742                 |             |
| Long-term compensation shares/units  | 2,403                     |              | 2,567                  |             |
| Denominator for net income per share – diluted (1)   | 376,780                   | 348,654      | 377,118                | 359,653     |
| Net income per share – basic   | \$ 0.53                   | \$ 3.84      | \$ 0.31                | \$ 0.90     |
| Net income per share – diluted   | \$ 0.52                   | \$ 3.84      | \$ 0.31                | \$ 0.90     |
| Net income per share – basic:  |                           |              |                        |             |
| Income (loss) from continuing operations available to Common Shares, net of Noncontrolling Interests | \$ 0.522                  | \$(0.620 )   | \$ 0.308               | \$(0.157 )  |
| Discontinued operations, net of Noncontrolling Interests   | 0.004                     | 4.464        | 0.001                  | 1.057       |

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|   |         |            |         |            |
|---|---------|------------|---------|------------|
| Net income per share – basic  | \$0.526 | \$3.844    | \$0.309 | \$0.900    |
| Net income per share – diluted (1):                                 |         |            |         |            |
| Income (loss) from continuing operations available to Common Shares | \$0.520 | \$(0.620 ) | \$0.307 | \$(0.157 ) |
| Discontinued operations, net  | 0.004   | 4.464      | 0.001   | 1.057      |
| Net income per share – diluted                                      | \$0.524 | \$3.844    | \$0.308 | \$0.900    |

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 six months and quarter ended June 30, 2013.

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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|  | Six Months Ended June 30, |              | Quarter Ended June 30, |             |
|--|---------------------------|--------------|------------------------|-------------|
|  | 2014                      | 2013         | 2014                   | 2013        |
| Numerator for net income per Unit – basic and diluted (1):   |                           |              |                        |             |
| Income (loss) from continuing operations   | \$ 183,987                | \$(223,850 ) | \$ 102,307             | \$(58,511 ) |
| Net gain on sales of real estate properties  | 14,903                    | —            | 14,903                 | —           |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties                        | (1,092 )                  | 790          | (588 )                 | 815         |
| Allocation to Preference Units   | (2,072 )                  | (2,072 )     | (1,036 )               | (1,036 )    |
| Income (loss) from continuing operations available to Units  | 195,726                   | (225,132 )   | 115,586                | (58,732 )   |
| Discontinued operations, net   | 1,562                     | 1,621,616    | 510                    | 395,243     |
| Numerator for net income per Unit – basic and diluted (1)  | \$ 197,288                | \$ 1,396,484 | \$ 116,096             | \$ 336,511  |
| Denominator for net income per Unit – basic and diluted (1):   |                           |              |                        |             |
| Denominator for net income per Unit - basic  | 374,377                   | 362,390      | 374,551                | 373,403     |
| Effect of dilutive securities:   |                           |              |                        |             |
| Dilution for Units issuable upon assumed exercise/vesting of the Company's long-term compensation shares/units | 2,403                     |              | 2,567                  |             |
| Denominator for net income per Unit – diluted (1)  | 376,780                   | 362,390      | 377,118                | 373,403     |
| Net income per Unit – basic  | \$0.53                    | \$3.84       | \$0.31                 | \$0.90      |
| Net income per Unit – diluted  | \$0.52                    | \$3.84       | \$0.31                 | \$0.90      |
| Net income per Unit – basic:   |                           |              |                        |             |
| Income (loss) from continuing operations available to Units  | \$0.522                   | \$(0.620 )   | \$0.308                | \$(0.157 )  |
| Discontinued operations, net   | 0.004                     | 4.464        | 0.001                  | 1.057       |
| Net income per Unit – basic  | \$0.526                   | \$3.844      | \$0.309                | \$0.900     |
| Net income per Unit – diluted (1):   |                           |              |                        |             |
| Income (loss) from continuing operations available to Units  | \$0.520                   | \$(0.620 )   | \$0.307                | \$(0.157 )  |
| Discontinued operations, net   | 0.004                     | 4.464        | 0.001                  | 1.057       |
| Net income per Unit – diluted  | \$0.524                   | \$3.844      | \$0.308                | \$0.900     |

Potential Units issuable from the assumed exercise/vesting of the Company's long-term compensation shares/units (1) 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 six months and quarter ended June 30, 2013.

#### 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, for properties sold in 2013 and prior years. The amounts included in discontinued operations for the six months and quarter ended June 30, 2014 represent trailing activity for properties sold in 2013 and prior years. None of the properties sold during the six months and quarter ended June 30, 2014 met the new criteria for reporting discontinued operations. See Note 2 for further discussion.

The components of discontinued operations are outlined below and include the results of operations for the respective periods that the Company owned such assets for properties sold in 2013 and prior years during the six months and quarters ended June 30, 2014 and 2013 (amounts in thousands).

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|  | Six Months Ended June 30, |              | Quarter Ended June 30, |            |   |
|--|---------------------------|--------------|------------------------|------------|---|
|  | 2014                      | 2013         | 2014                   | 2013       |   |
| <b>REVENUES</b>                              |                           |              |                        |            |   |
| Rental income                                | \$ 1,275                  | \$ 107,956   | \$ 252                 | \$ 26,174  |   |
| Total revenues                               | 1,275                     | 107,956      | 252                    | 26,174     |   |
| <b>EXPENSES (1)</b>                          |                           |              |                        |            |   |
| Property and maintenance                     | (41                       | ) 31,449     | (89                    | ) 11,025   |   |
| Real estate taxes and insurance              | (6                        | ) 10,867     | (19                    | ) 2,273    |   |
| Property management                          | —                         | 1            | —                      | —          |   |
| Depreciation                                 | —                         | 30,962       | —                      | 7,146      |   |
| General and administrative                   | 51                        | 73           | 46                     | 65         |   |
| Total expenses                               | 4                         | 73,352       | (62                    | ) 20,509   |   |
| Discontinued operating income                | 1,271                     | 34,604       | 314                    | 5,665      |   |
| Interest and other income                    | 80                        | 90           | 45                     | 38         |   |
| Other expenses                               | —                         | (3           | ) —                    | (1         | ) |
| Interest (2):                                |                           |              |                        |            |   |
| Expense incurred, net                        | —                         | (1,258       | ) —                    | (6         | ) |
| Amortization of deferred financing costs     | —                         | (228         | ) —                    | —          |   |
| Income and other tax (expense) benefit       | (13                       | ) (463       | ) (2                   | ) (405     |   |
| Discontinued operations                      | 1,338                     | 32,742       | 357                    | 5,291      |   |
| Net gain on sales of discontinued operations | 224                       | 1,588,874    | 153                    | 389,952    |   |
| Discontinued operations, net                 | \$ 1,562                  | \$ 1,621,616 | \$ 510                 | \$ 395,243 |   |

(1) Includes expenses paid in the current period for properties sold 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.

## 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 June 30, 2014. 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 June 30, 2014, the Company has 12 consolidated projects (including Prism at Park Avenue South in New York City which the Company is jointly developing with Toll Brothers that is discussed below) totaling 3,871 apartment units in various stages of development with commitments to fund of approximately \$1.0 billion and estimated completion dates ranging through September 30, 2016, 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

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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 ventures.

As of June 30, 2014, the Company has one unconsolidated project totaling 176 apartment units under development with an estimated completion date of December 31, 2014, as well as other completed development projects that are in various stages of lease up or are stabilized. 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, was 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 respective partner for San Norterra and Parc on Powell (formerly known as 1333 Powell) 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 Parc on Powell 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 June 30, 2014, the Company's and Toll Brothers' consolidated contributions to the joint venture were approximately \$327.9 million, of which Toll Brothers' noncontrolling interest balance totaled \$117.4 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 located in its core markets represent its reportable segments (with the aggregation of Los Angeles, Orange County and San Diego into the Southern California reportable segment). The Company's operating segments located in its non-core markets that are not material have also been aggregated in the tables presented below.

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 six months and quarters ended June 30, 2014 and 2013, 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 and comprehensive income). The Company believes that NOI is helpful to investors as a supplemental measure of its operating performance because it is a direct measure of the actual operating results of the Company's apartment communities. Current year NOI is compared to prior year NOI and current year budgeted NOI as a measure of financial performance. The following tables present NOI for each

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segment from our rental real estate specific to continuing operations for the six months and quarters ended June 30, 2014 and 2013, respectively, as well as total assets and capital expenditures at June 30, 2014 (amounts in thousands):

|                              | Six Months Ended June 30, 2014 |                       |            | Six Months Ended June 30, 2013 |                       |            |
|------------------------------|--------------------------------|-----------------------|------------|--------------------------------|-----------------------|------------|
|                              | Rental<br>Income               | Operating<br>Expenses | NOI        | Rental<br>Income               | Operating<br>Expenses | NOI        |
| Same store (1)               |                                |                       |            |                                |                       |            |
| Boston                       | \$ 125,024                     | \$ 41,414             | \$ 83,610  | \$ 120,455                     | \$ 39,651             | \$ 80,804  |
| Denver                       | 54,123                         | 15,098                | 39,025     | 50,494                         | 14,987                | 35,507     |
| New York                     | 225,407                        | 88,102                | 137,305    | 217,297                        | 83,745                | 133,552    |
| San Francisco                | 165,343                        | 52,960                | 112,383    | 152,459                        | 54,109                | 98,350     |
| Seattle                      | 76,702                         | 25,805                | 50,897     | 71,548                         | 24,553                | 46,995     |
| South Florida                | 97,893                         | 36,404                | 61,489     | 93,289                         | 35,417                | 57,872     |
| Southern California          | 207,272                        | 69,450                | 137,822    | 198,366                        | 69,149                | 129,217    |
| Washington DC                | 222,135                        | 72,499                | 149,636    | 223,807                        | 71,049                | 152,758    |
| Non-core                     | 65,607                         | 24,495                | 41,112     | 63,715                         | 23,931                | 39,784     |
| Total same store             | 1,239,506                      | 426,227               | 813,279    | 1,191,430                      | 416,591               | 774,839    |
| Non-same store/other (2) (3) |                                |                       |            |                                |                       |            |
| Boston                       | 1,817                          | 413                   | 1,404      | 1,154                          | 255                   | 899        |
| Seattle                      | 4,444                          | 1,779                 | 2,665      | 1,303                          | 374                   | 929        |
| South Florida                | 2,041                          | 1,301                 | 740        | 24                             | 146                   | (122 )     |
| Southern California          | 15,623                         | 7,452                 | 8,171      | 5,397                          | 2,593                 | 2,804      |
| Washington DC                | 10,840                         | 3,857                 | 6,983      | 5,320                          | 1,862                 | 3,458      |
| Other (3)                    | 6,220                          | 7,754                 | (1,534 )   | 4,901                          | 13,295                | (8,394 )   |
| Total non-same store/other   | 40,985                         | 22,556                | 18,429     | 18,099                         | 18,525                | (426 )     |
| Archstone pre-ownership (4)  | —                              | —                     | —          | (92,423 )                      | (36,729 )             | (55,694 )  |
| Total                        | \$ 1,280,491                   | \$ 448,783            | \$ 831,708 | \$ 1,117,106                   | \$ 398,387            | \$ 718,719 |

Same store primarily includes all properties acquired or completed and stabilized prior to January 1, 2013, less (1) properties subsequently sold, which represented 100,648 apartment units. Also includes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

Non-same store primarily includes properties acquired after January 1, 2013, plus any properties in lease-up and (2) not stabilized as of January 1, 2013, but excludes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

(3) Other includes development, other corporate operations and operations prior to sale for properties sold in 2014 that do not meet the new discontinued operations criteria.

(4) Represents pro forma Archstone pre-ownership results for the period January 1, 2013 to February 27, 2013 that is included in 2013 same store results.

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|                              | Quarter Ended June 30, 2014 |                       |           | Quarter Ended June 30, 2013 |                       |           |
|------------------------------|-----------------------------|-----------------------|-----------|-----------------------------|-----------------------|-----------|
|                              | Rental<br>Income            | Operating<br>Expenses | NOI       | Rental<br>Income            | Operating<br>Expenses | NOI       |
| Same store (1)               |                             |                       |           |                             |                       |           |
| Boston                       | \$63,117                    | \$19,259              | \$43,858  | \$61,401                    | \$19,444              | \$41,957  |
| Denver                       | 27,511                      | 7,648                 | 19,863    | 25,524                      | 7,770                 | 17,754    |
| New York                     | 114,221                     | 41,898                | 72,323    | 109,299                     | 40,634                | 68,665    |
| San Francisco                | 84,082                      | 26,305                | 57,777    | 77,514                      | 25,955                | 51,559    |
| Seattle                      | 38,977                      | 13,037                | 25,940    | 36,176                      | 12,316                | 23,860    |
| South Florida                | 49,456                      | 18,220                | 31,236    | 47,051                      | 17,774                | 29,277    |
| Southern California          | 104,608                     | 34,811                | 69,797    | 100,156                     | 34,275                | 65,881    |
| Washington DC                | 111,739                     | 35,102                | 76,637    | 112,815                     | 35,165                | 77,650    |
| Non-core                     | 33,035                      | 11,806                | 21,229    | 32,110                      | 11,880                | 20,230    |
| Total same store             | 626,746                     | 208,086               | 418,660   | 602,046                     | 205,213               | 396,833   |
| Non-same store/other (2) (3) |                             |                       |           |                             |                       |           |
| Boston                       | 790                         | 202                   | 588       | 898                         | 201                   | 697       |
| Seattle                      | 2,756                       | 1,042                 | 1,714     | 1,271                       | 373                   | 898       |
| South Florida                | 1,241                       | 760                   | 481       | 14                          | 68                    | (54 )     |
| Southern California          | 8,446                       | 4,261                 | 4,185     | 4,106                       | 1,976                 | 2,130     |
| Washington DC                | 5,906                       | 1,954                 | 3,952     | 3,512                       | 1,209                 | 2,303     |
| Other (3)                    | 3,881                       | 2,693                 | 1,188     | 2,697                       | 3,234                 | (537 )    |
| Total non-same store/other   | 23,020                      | 10,912                | 12,108    | 12,498                      | 7,061                 | 5,437     |
| Total                        | \$649,766                   | \$218,998             | \$430,768 | \$614,544                   | \$212,274             | \$402,270 |

Same store primarily includes all properties acquired or completed and stabilized prior to April 1, 2013, less (1) properties subsequently sold, which represented 100,648 apartment units. Also includes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

Non-same store primarily includes properties acquired after April 1, 2013, plus any properties in lease-up and not (2) stabilized as of April 1, 2013, but excludes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

(3) Other includes development, other corporate operations and operations prior to sale for properties sold in 2014 that do not meet the new discontinued operations criteria.

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|                              | Six Months Ended June 30, 2014 |                      |
|------------------------------|--------------------------------|----------------------|
|                              | Total Assets                   | Capital Expenditures |
| Same store (1)               |                                |                      |
| Boston                       | \$ 1,953,627                   | \$ 8,814             |
| Denver                       | 530,832                        | 1,904                |
| New York                     | 4,720,592                      | 8,202                |
| San Francisco                | 2,753,902                      | 12,704               |
| Seattle                      | 1,046,051                      | 5,264                |
| South Florida                | 1,170,295                      | 7,600                |
| Southern California          | 2,978,750                      | 11,953               |
| Washington DC                | 4,270,418                      | 14,834               |
| Non-core                     | 605,225                        | 3,123                |
| Total same store             | 20,029,692                     | 74,398               |
| Non-same store/other (2) (3) |                                |                      |
| Boston                       | 48,830                         | 630                  |
| Seattle                      | 226,604                        | 281                  |
| South Florida                | 70,896                         | 16                   |
| Southern California          | 511,343                        | 645                  |
| Washington DC                | 306,594                        | 852                  |
| Other (3)                    | 1,797,443                      | 90                   |
| Total non-same store/other   | 2,961,710                      | 2,514                |
| Total                        | \$ 22,991,402                  | \$ 76,912            |

Same store primarily includes all properties acquired or completed and stabilized prior to January 1, 2013, less (1) properties subsequently sold, which represented 100,648 apartment units. Also includes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

Non-same store primarily includes properties acquired after January 1, 2013, plus any properties in lease-up and (2) not stabilized as of January 1, 2013, but excludes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

(3) Other includes development, other corporate operations and capital expenditures for properties sold.

Note: Markets/Metro Areas aggregated in the above Southern California and Non-core segments are as follows:

(a) Southern California – Los Angeles, Orange County and San Diego.

(b) Non-core – Inland Empire, CA, New England (excluding Boston), Orlando and Phoenix.

The following table presents a reconciliation of NOI from our rental real estate specific to continuing operations for the six months and quarters ended June 30, 2014 and 2013, respectively (amounts in thousands):

|   | Six Months Ended June 30, |              | Quarter Ended June 30, |            |
|---|---------------------------|--------------|------------------------|------------|
|   | 2014                      | 2013         | 2014                   | 2013       |
| Rental income                           | \$ 1,280,491              | \$ 1,117,106 | \$ 649,766             | \$ 614,544 |
| Property and maintenance expense        | (240,961 )                | (212,030 )   | (115,388 )             | (113,501 ) |
| Real estate taxes and insurance expense | (165,149 )                | (141,837 )   | (83,055 )              | (76,742 )  |
| Property management expense             | (42,673 )                 | (44,520 )    | (20,555 )              | (22,031 )  |
| Total operating expenses                | (448,783 )                | (398,387 )   | (218,998 )             | (212,274 ) |
| Net operating income                    | \$ 831,708                | \$ 718,719   | \$ 430,768             | \$ 402,270 |



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14. Subsequent Events/Other

Subsequent Events

Subsequent to June 30, 2014, the Company:

Acquired one land parcel for \$13.0 million;  
Repaid \$60.7 million in mortgage loans; and  
Closed on the sale of its unconsolidated interest in the remaining Residual JV wholly-owned German real estate assets that were acquired as part of the Archstone Acquisition. With this sale, all German real estate assets have now been sold.

Other

During the six months ended June 30, 2014 and 2013, the Company incurred charges of \$0.1 million and \$0.1 million, respectively, related to property acquisition costs, such as survey, title and legal fees, on the acquisition of operating properties (excluding the Archstone Transaction) and \$1.5 million and \$3.4 million, respectively, related to the write-off of various pursuit and out-of-pocket costs for terminated acquisition, disposition and development transactions. These costs, totaling \$1.6 million and \$3.5 million, respectively, are included in other expenses in the accompanying consolidated statements of operations and comprehensive income. See Note 4 for details on the property acquisition costs related to the Archstone Transaction.

During the six months ended June 30, 2014, the Company received \$2.3 million for the settlement of various litigation/insurance claims, which are included in interest and other income in the accompanying consolidated statements of operations and comprehensive income.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For further information including definitions for 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, 2013.

Forward-Looking Statements

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

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

Debt financing and other capital required by the Company may not be available or may only be available on adverse terms;

Labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated;

Occupancy levels and market rents may be adversely affected by national and local economic and market conditions including, without limitation, new construction and excess inventory of multifamily and single family housing, increasing portions of single family housing stock being converted to rental use, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multifamily rental housing, governmental regulations, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond the Company's control; and

Additional factors as discussed in Part I of the Company's and the Operating Partnership's Annual Report on Form 10-K, particularly those under "Item 1A. Risk Factors".

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

#### Overview

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



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EQR and/or ERPOP. References to the “Operating Partnership” mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP.

EQR is the general partner of, and as of June 30, 2014 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.

The Company’s corporate headquarters are located in Chicago, Illinois and the Company also operates property management offices in each of its core markets. As of June 30, 2014, the Company had approximately 3,600 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

### Available Information

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

### Business Objectives and Operating and Investing Strategies

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

We seek to maximize the income and capital appreciation of our properties by investing in markets that are characterized by conditions favorable to multifamily property appreciation. We are focused primarily on the six core coastal, high barrier to entry markets of Boston, New York, Washington DC, Southern California (including Los Angeles, Orange County and San Diego), San Francisco and Seattle. These markets generally feature one or more of the following characteristics that allow us to increase rents:

High barriers to entry where, because of land scarcity or government regulation, it is difficult or costly to build new apartment properties, creating limits on new supply;

High home ownership costs;

Strong economic growth leading to job growth and household formation, which in turn leads to high demand for our apartments;

Urban core locations with an attractive quality of life and higher wage job categories leading to high resident demand and retention; and

Favorable demographics contributing to a larger pool of target residents with a high propensity to rent apartments.

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

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

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture agreements. In addition, the Company may acquire properties in transactions that include the issuance of limited partnership interests in the Operating Partnership (“OP Units”) as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or

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in part, the recognition of taxable income or gain that might otherwise result from the sales. The Company may acquire land parcels to hold and/or sell based on market opportunities as well as options to buy more land in the future. The Company may also seek to acquire properties by purchasing defaulted or distressed debt that encumbers desirable properties in the hope of obtaining title to property through foreclosure or deed-in-lieu of foreclosure proceedings. The Company has also, in the past, converted some of its properties and sold them as condominiums but is not currently active in this line of business.

Over the past several years, the Company has done an extensive repositioning of its portfolio from low barrier to entry/non-core markets to high barrier to entry/core markets. Since 2005, the Company has sold over 162,000 apartment units primarily in its non-core markets for an aggregate sales price of approximately \$15.6 billion, acquired over 67,000 apartment units primarily in its core markets for approximately \$19.2 billion and began approximately \$4.7 billion of development projects primarily in its core markets. We are currently seeking to acquire and develop assets primarily in the following six core coastal metropolitan areas: Boston, New York, Washington DC, Southern California, San Francisco and Seattle. We also have investments (in the aggregate about 11.9% of our NOI at June 30, 2014) in the two core markets of South Florida and Denver but do not currently intend to acquire or develop new assets in these markets. Further, we are in the process of exiting Phoenix and Orlando and will use sales proceeds from these markets to acquire and/or develop new assets and for other corporate purposes.

As part of its strategy, the Company purchases completed and fully occupied apartment properties, partially completed or partially occupied properties and takes options on land or acquires land on which apartment properties can be constructed. We intend to hold a diversified portfolio of assets across our target markets. As of June 30, 2014, no single market/metropolitan area accounted for more than 18.6% of our NOI, though no guarantee can be made that NOI concentration may not increase in the future.

We endeavor to attract and retain the best employees by providing them with the education, resources and opportunities to succeed. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensively train our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or junior positions. We monitor our employees' engagement by surveying them annually and have consistently received high engagement scores.

We have a commitment to sustainability and consider the environmental impacts of our business activities. Sustainability and social responsibility are key drivers of our focus on creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water usage by investing in energy saving technology while positively impacting the experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. For additional information regarding our sustainability efforts, see our December 2013 Corporate Social Responsibility and Sustainability Report at our website, [www.equityresidential.com](http://www.equityresidential.com).

Current Environment

During the six months ended June 30, 2014, the Company acquired three consolidated rental properties consisting of 772 apartment units for \$249.6 million and one land parcel and development rights at one of its existing land sites for \$15.8 million. We believe our access to capital, our ability to execute large, complex transactions and our ability to efficiently stabilize large scale lease up properties provide us with a competitive advantage, which was demonstrated in the Archstone Transaction that closed in 2013. The Company currently budgets consolidated rental acquisitions of approximately \$500.0 million during the year ending December 31, 2014 to be funded with proceeds from rental dispositions (see discussion below).

The Company started construction on three projects representing 1,145 apartment units totaling approximately \$614.3 million of development costs during the six months ended June 30, 2014. The Company expects to increase its development activity as compared to the past few years and has budgeted up to \$1.6 billion combined of new apartment construction starts on land currently owned during the years ending December 31, 2014 and 2015, with up to \$1.0 billion occurring in 2014 and the balance occurring in 2015. We currently budget spending approximately \$500.0 million on development costs during the year ending December 31, 2014. This capital will be primarily sourced with excess operating cash flow and borrowings on our revolving credit facility.

The Company expects to continue to sell non-core assets and reduce its exposure to non-core markets as we believe these assets will have lower long-term returns and we can sell them for prices that we believe are favorable. The Archstone Transaction

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that closed in 2013 provided an opportunity to accelerate this strategy and do so efficiently through the use of Section 1031 tax deferred exchanges. Over the past several years, dispositions combined with reinvestment of the cash proceeds in assets with lower cap rates (see definition below) were dilutive to our earnings per share. The Company defines dilution from transactions as the lost NOI from sales proceeds that were not reinvested in other apartment properties or were reinvested in properties with a lower cap rate. Beginning in 2014 and going forward, the Company expects a decrease in dilution due to our reduced disposition expectations and the locations of our planned dispositions. The Company sold one consolidated rental property consisting of 336 apartment units for \$40.9 million and a land parcel for \$8.2 million during the six months ended June 30, 2014. The Company currently budgets consolidated rental dispositions of approximately \$500.0 million during the year ending December 31, 2014.

We currently have access to multiple sources of capital including the equity markets as well as both the secured and unsecured debt markets. In June 2014, the Company completed a \$450.0 million unsecured five year note offering with a coupon of 2.375% and an all-in effective interest rate of approximately 2.52% as well as a \$750.0 million unsecured thirty year note offering with a coupon of 4.5% and an all-in effective interest rate of approximately 4.57%. The Company used the proceeds from these offerings to repay its \$750.0 million unsecured term loan facility that was scheduled to mature on January 11, 2015 and to repay the outstanding balance on its revolving credit facility. In October 2013, the Company used cash on hand from dispositions to repay \$963.5 million outstanding of 5.883% mortgage debt assumed as part of the Archstone Transaction prior to the November 1, 2014 maturity date. Also in October 2013, the Company closed a new \$800.0 million mortgage loan from a large insurance company which matures on November 10, 2023, is interest only and carries a fixed interest rate of 4.21%. The Company used the loan proceeds from this new loan to simultaneously repay \$825.0 million of a \$1.27 billion mortgage loan assumed as part of the Archstone Transaction. The approximately \$440.0 million balance will remain outstanding, continue to mature in November 2017 and continue to carry a fixed interest rate of 6.256%. The Company believes it has obtained favorable interest terms on all of this long term debt and has substantially extended the duration of its debt maturities as well as reduced its 2014, 2015 and 2017 maturities as a percentage of outstanding debt.

We believe that cash and cash equivalents, securities readily convertible to cash, current availability on our revolving credit facility and disposition proceeds for 2014 will provide sufficient liquidity to meet our funding obligations relating to asset acquisitions, debt maturities and existing development projects through 2014. We expect that our remaining longer-term funding requirements will be met through some combination of new borrowings, equity issuances, property dispositions, joint ventures and cash generated from operations.

There is significant uncertainty surrounding the futures of Fannie Mae and Freddie Mac (the "Government Sponsored Enterprises" or "GSEs"). Through their lender originator networks, the GSEs are significant lenders both to the Company and to buyers of the Company's properties. The GSEs have a mandate to support multifamily housing through their financing activities. Any changes to their mandates, further reductions in their size or the scale of their activities or loss of key personnel could have a significant impact on the Company and may, among other things, lead to lower values for our assets and higher interest rates on our borrowings. The regulator of the GSEs required the GSEs to decrease their 2013 multifamily lending activities by 10% compared to 2012 levels. No such mandate is expected to be announced for 2014, however, it remains unclear if future reductions or changes could be mandated. The GSEs' regulator may require the GSEs to focus more of their lending activities on properties that the regulator deems affordable, which may or may not include the Company's assets. Reductions in GSE activity or increases in GSE loan pricing may also provide a competitive advantage to us by making the cost of financing multifamily properties more expensive for other multifamily owners while the Company continues to have access to cheaper capital in the public and private debt and equity markets. Over time, we expect that other lenders, including the commercial mortgage-backed securities market and life insurance companies, will become larger sources of debt capital to the multifamily market because multifamily properties are attractive to lenders due to their relatively stable cash flows.

We expect continued growth in revenue (anticipated 2014 same store revenue increase ranging from 3.9% to 4.1%) and NOI (anticipated 2014 same store NOI increase ranging from 4.5% to 5.0%) and are optimistic that the continued strength in fundamentals across most of our markets will produce solid performance through 2014. These same store revenue and NOI growth assumptions are both towards the high end of the Company's original projections budgeted in February 2014. These same-store assumptions include the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company. During the first half of 2014, same store revenues increased 4.0% over the first half of 2013. We believe the key drivers behind the anticipated increase in revenue are base rent pricing for new residents, renewal pricing for existing residents, resident turnover and physical occupancy. For 2014, we now expect average base rent growth of 3.5% (vs. original guidance of 3.25%), an increase in renewal rates of 5.0% (vs. original guidance of 4.75%), occupancy of 95.5% (vs. original guidance of 95.4%) and turnover at 51.0% (vs. original guidance of 51.5%).

With the exception of Washington, D.C., all of our other markets are generally performing better than original expectations back in February 2014. As noted above, demand for our apartments has been stronger than expected, with higher occupancy and lower turnover due in part to declines in move outs to buy new homes. In general, new supply continues to be absorbed in an

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orderly fashion with lease-ups occurring faster than expected with only minimal impact on rents at nearby stabilized assets. However, Washington D.C. continues to show signs of stress as substantial new supply and the impact of sequestration and furloughs have dampened the metro area economy. We expect our Washington D.C. results to produce a 1% decline in same store revenues during 2014, which will likely reduce our expected Company-wide same store revenue growth by 1%. Despite slow growth in the overall economy and the issues noted in Washington D.C., our business continues to perform well because of the combined forces of demographics, household formations and increasing consumer preference for the flexibility of rental housing, all of which should ensure a continued strong demand for rental housing.

The Company anticipates that 2014 same store expenses will increase 2.25% to 2.75%, in line with previous expectations, primarily due to increases in real estate taxes, which are now expected to increase 6.2%, and utilities, which are now expected to increase between 6% and 7%. During the first half of 2014, same store expenses increased 2.3% over the first half of 2013, with real estate taxes up 6.2% and utilities up 8.0%. The increase in real estate taxes is primarily due to rate and value increases in certain states and municipalities, reflecting those states' and municipalities' continued economic challenges and the dramatic improvement in apartment values and fundamentals as well as the continued burn off of 421a tax abatements in New York City. The increase in utilities is primarily due to a combination of increases in natural gas prices, increased consumption of gas and electric due to historically low temperatures and increases in water and sewer costs as many municipalities have antiquated systems with limited revenue for modernization. Expense growth in the controllable property level expenses (excluding real estate taxes and utilities) declined 1.8% as the Company leverages the geographic locations of its new same-store portfolio (as a result of the Archstone Transaction and the 2013 disposition program) and technology to lower costs, which should partially offset the increase in real estate taxes and utilities. We expect that the beneficial impact resulting from Archstone synergies will continue to diminish over the remainder of the year.

We believe that the Company is well-positioned as of June 30, 2014 because our properties are geographically diverse, were approximately 95.3% occupied (96.1% on a same store basis) and the long-term demographic picture is positive. We believe certain market areas, especially Washington D.C., downtown Boston and Cambridge and Seattle, will see substantial near term multifamily supply yet total new supply levels for our core markets remain within historical ranges. We believe over the longer term that our core markets will absorb future supply without material marketwide disruption because of the high occupancy levels we currently experience and increasing household formations. We have seen evidence of this in Seattle as supply has been absorbed and rental rates continue to grow. We believe our strong balance sheet and ample liquidity will allow us to fund our debt maturities and development costs in the near term, and should also allow us to take advantage of investment opportunities in the future.

The current environment information presented above is based on current expectations and is forward-looking.

## Results of Operations

In conjunction with our business objectives and operating strategy, the Company continued to invest in apartment properties located in strategically targeted markets during the six months ended June 30, 2014 as follows:

Acquired one consolidated apartment property consisting of 430 apartment units for \$143.0 million at a cap rate (see definition below) of 4.9%, one land parcel for \$10.3 million and additional development rights at one of its existing land sites for \$5.5 million;

Acquired two consolidated apartment properties, one that just completed lease up and the other which is still in lease up, consisting of 342 apartment units for \$106.6 million and are expected to stabilize at a 6.4% yield on cost and a 4.9% yield on cost, respectively; and

Sold one consolidated apartment property consisting of 336 apartments units for \$40.9 million at a cap rate of 6.7% generating an unlevered internal rate of return ("IRR"), inclusive of management costs, of 7.9%, and a land parcel for

\$8.2 million.

The Company's primary financial measure for evaluating each of its apartment communities is net operating income ("NOI"). NOI represents rental income less property and maintenance expense, real estate tax and insurance expense and property management expense. 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. The cap rate is generally the first year NOI yield (net of replacements) on the Company's investment.

Properties that the Company owned and were stabilized (see definition below) for all of both of the six months ended June 30, 2014 and 2013 as well as the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company (the "Six-Month 2014 Same Store Properties"), which represented 100,648 apartment units, and properties that the Company owned and were stabilized for all of both of the quarters ended June 30, 2014 and 2013 (the "Second Quarter 2014 Same Store Properties"), which represented 100,648 apartment units, impacted the Company's results of

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operations. Both the Six-Month 2014 Same Store Properties and the Second Quarter 2014 Same Store Properties are discussed in the following paragraphs.

The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the six months and quarter ended June 30, 2014:

|  | Six Months Ended<br>June 30, 2014 |                    | Quarter Ended<br>June 30, 2014 |                    |
|--|-----------------------------------|--------------------|--------------------------------|--------------------|
|  | Properties                        | Apartment<br>Units | Properties                     | Apartment<br>Units |
| Same Store Properties at Beginning of Period         | 296                               | 80,247             | 375                            | 100,984            |
| 2012 acquisitions                                    | 9                                 | 1,896              | —                              | —                  |
| 2013 acquisitions                                    | 77                                | 22,103             | —                              | —                  |
| 2013 acquisitions not yet included in same store (1) | (1)                               | (322)              | ) —                            | —                  |
| 2013 acquisitions not yet stabilized (2)             | (2)                               | (613)              | ) —                            | —                  |
| 2013 acquisitions not managed by the Company (3)     | (3)                               | (853)              | ) —                            | —                  |
| 2013 acquisitions not consolidated                   | (1)                               | (336)              | ) —                            | —                  |
| 2013 acquisitions disposed of in 2013 (4)            | (3)                               | (1,536)            | ) —                            | —                  |
| 2014 dispositions                                    | (1)                               | (336)              | ) (1                           | ) (336 )           |
| Lease-up properties stabilized                       | 3                                 | 374                | —                              | —                  |
| Other  | —                                 | 24                 | —                              | —                  |
| Same Store Properties at June 30, 2014               | 374                               | 100,648            | 374                            | 100,648            |
|  | Six Months Ended<br>June 30, 2014 |                    | Quarter Ended<br>June 30, 2014 |                    |
|  | Properties                        | Apartment<br>Units | Properties                     | Apartment<br>Units |
| Same Store   | 374                               | 100,648            | 374                            | 100,648            |
| Non-Same Store:                                      |                                   |                    |                                |                    |
| 2014 acquisitions                                    | 1                                 | 430                | 1                              | 430                |
| 2014 acquisitions not yet stabilized (2)             | 2                                 | 342                | 2                              | 342                |
| 2013 acquisitions not yet included in same store (1) | 1                                 | 322                | 1                              | 322                |
| 2013 acquisitions not yet stabilized (2)             | 2                                 | 613                | 2                              | 613                |
| 2013 acquisitions not managed by the Company (3)     | 3                                 | 853                | 3                              | 853                |
| 2013 acquisitions not consolidated                   | 1                                 | 336                | 1                              | 336                |
| Lease-up properties not yet stabilized (2)           | 10                                | 2,939              | 10                             | 2,939              |
| Other  | 1                                 | 1                  | 1                              | 1                  |
| Total Non-Same Store                                 | 21                                | 5,836              | 21                             | 5,836              |
| Military Housing (not consolidated)                  | 2                                 | 5,007              | 2                              | 5,007              |
| Total Properties and Apartment Units                 | 397                               | 111,491            | 397                            | 111,491            |

Note: Properties are considered "stabilized" when they have achieved 90% occupancy for three consecutive months. Properties are included in Same Store when they are stabilized for all of the current and comparable periods presented. Same store includes the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company, with pro forma pre-ownership results for the period January 1, 2013 to February 27, 2013.

(1) Includes one property containing 322 apartment units acquired in 2013 separately from the Archstone Acquisition.

- (2) Includes properties in various stages of lease-up and properties where lease-up has been completed but the properties were not stabilized for the comparable periods presented.  
Includes three properties containing 853 apartments units acquired on February 27, 2013 in conjunction with the
- (3) Archstone Acquisition that are owned by the Company but the entire projects are master leased to a third party corporate housing provider and the Company earns monthly net rental income.

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- (4) Includes three properties containing 1,536 apartment units acquired on February 27, 2013 in conjunction with the Archstone Acquisition that were subsequently sold in 2013.

The Company's acquisition, disposition and completed development activities also impacted overall results of operations for the six months and quarters ended June 30, 2014 and 2013. The impacts of these activities are discussed in greater detail in the following paragraphs.

Comparison of the six months ended June 30, 2014 to the six months ended June 30, 2013

For the six months ended June 30, 2014, the Company reported diluted earnings per share/unit of \$0.52 compared to \$3.84 per share/unit in the same period of 2013. The difference is primarily due to approximately \$1.6 billion in higher gains on property sales in 2013 vs. 2014, partially offset by \$66.3 million of higher merger-related expenses incurred in 2013 vs. 2014 in connection with the Archstone Acquisition, \$71.4 million of prepayment penalties incurred in 2013 in connection with early debt extinguishment of existing mortgage notes payable to manage the Company's post Archstone 2017 maturities profile and higher depreciation in 2013 as a direct result of in-place residential lease intangibles acquired in the Archstone Transaction.

For the six months ended June 30, 2014, income from continuing operations increased approximately \$407.8 million when compared to the six months ended June 30, 2013. The increase in continuing operations is discussed below.

Revenues from the Six-Month 2014 Same Store Properties increased \$48.1 million primarily as a result of an increase in average rental rates charged to residents, slightly higher occupancy and a decrease in turnover. Expenses from the Six-Month 2014 Same Store Properties increased \$9.6 million primarily due to increases in real estate taxes and utilities, partially offset by lower on-site payroll and property management costs. The following tables provide comparative same store results and statistics for the Six-Month 2014 Same Store Properties:

June YTD 2014 vs. June YTD 2013

Same Store Results/Statistics for 100,648 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

| Description | Results     |           |           | Statistics              |           |          |    |
|-------------|-------------|-----------|-----------|-------------------------|-----------|----------|----|
|             | Revenues    | Expenses  | NOI       | Average Rental Rate (1) | Occupancy | Turnover |    |
| YTD 2014    | \$1,239,506 | \$426,227 | \$813,279 | \$2,152                 | 95.4      | % 25.6   | %  |
| YTD 2013    | \$1,191,430 | \$416,591 | \$774,839 | \$2,072                 | 95.3      | % 26.5   | %  |
| Change      | \$48,076    | \$9,636   | \$38,440  | \$80                    | 0.1       | % (0.9   | %) |
| Change      | 4.0         | % 2.3     | % 5.0     | % 3.9                   | %         |          |    |

Note: Same store results/statistics include 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

(1) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartment units for the period.

The following table provides comparative same store operating expenses for the Six-Month 2014 Same Store Properties:



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June YTD 2014 vs. June YTD 2013

Same Store Operating Expenses for 100,648 Same Store Apartment Units

\$ in thousands

|   | Actual<br>YTD 2014 | Actual<br>YTD 2013 | \$<br>Change | %<br>Change | % of Actual<br>YTD 2014<br>Operating<br>Expenses |   |
|---|--------------------|--------------------|--------------|-------------|--|---|
| Real estate taxes                       | \$146,077          | \$137,553          | \$8,524      | 6.2         | % 34.3   | % |
| On-site payroll (1)                     | 87,506             | 88,704             | (1,198)      | ) (1.4      | (%) 20.5   | % |
| Utilities (2)                           | 66,708             | 61,768             | 4,940        | 8.0         | % 15.7   | % |
| Repairs and maintenance (3)             | 52,991             | 51,945             | 1,046        | 2.0         | % 12.4   | % |
| Property management costs (4)           | 37,805             | 39,317             | (1,512)      | ) (3.8      | (%) 8.9  | % |
| Insurance                               | 12,459             | 12,609             | (150)        | ) (1.2      | (%) 2.9  | % |
| Leasing and advertising                 | 5,063              | 6,135              | (1,072)      | ) (17.5     | (%) 1.2  | % |
| Other on-site operating expenses<br>(5) | 17,618             | 18,560             | (942)        | ) (5.1      | (%) 4.1  | % |
| Same store operating expenses           | \$426,227          | \$416,591          | \$9,636      | 2.3         | % 100.0  | % |

(1) On-site payroll – Includes payroll and related expenses for on-site personnel including property managers, leasing consultants and maintenance staff.

(2) Utilities – Represents gross expenses prior to any recoveries under the Resident Utility Billing System (“RUBS”). Recoveries are reflected in rental income.

(3) Repairs and maintenance – Includes general maintenance costs, apartment unit turnover costs including interior painting, routine landscaping, security, exterminating, fire protection, snow removal, elevator, roof and parking lot repairs and other miscellaneous building repair costs.

(4) Property management costs – Includes payroll and related expenses for departments, or portions of departments, that directly support on-site management. These include such departments as regional and corporate property management, property accounting, human resources, training, marketing and revenue management, procurement, real estate tax, property legal services and information technology.

(5) Other on-site operating expenses – Includes ground lease costs and administrative costs such as office supplies, telephone and data charges and association and business licensing fees.

The following table presents a reconciliation of operating income per the consolidated statements of operations and comprehensive income to NOI for the Six-Month 2014 Same Store Properties:

|   | Six Months Ended June 30,<br>2014 | 2013      |
|---|-----------------------------------|-----------|
|   | (Amounts in thousands)            |           |
| Operating income                          | \$427,556                         | \$168,223 |
| Adjustments:                              |                                   |           |
| Archstone pre-ownership operating results | —                                 | 55,694    |
| Non-same store operating results          | (18,429)                          | ) 426     |
| Fee and asset management revenue          | (5,519)                           | ) (4,833  |
| Fee and asset management expense          | 3,040                             | 3,223     |
| Depreciation                              | 375,303                           | 519,526   |
| General and administrative                | 31,328                            | 32,580    |
| Same store NOI                            | \$813,279                         | \$774,839 |

For properties that the Company acquired prior to January 1, 2013 and expects to continue to own through December 31, 2014 as well as the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company, the Company anticipates the following same store results for the full year ending December 31, 2014:

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2014 Same Store Assumptions

|                    |                |
|--------------------|----------------|
| Physical occupancy | 95.5%          |
| Revenue change     | 3.9% to 4.1%   |
| Expense change     | 2.25% to 2.75% |
| NOI change         | 4.5% to 5.0%   |

The Company anticipates consolidated rental acquisitions of \$500.0 million and consolidated rental dispositions of \$500.0 million and expects that acquisitions will have a 1.00% lower cap rate than dispositions for the full year ending December 31, 2014.

These 2014 assumptions are based on current expectations and are forward-looking.

Non-same store operating results increased approximately \$18.9 million and consist primarily of properties acquired in calendar years 2013 and 2014 as well as operations from the Company's completed development properties, but exclude the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company. This increase primarily resulted from:

- Development and newly stabilized development properties in lease-up of \$6.1 million;
- Operating properties acquired in 2013 and 2014 of \$4.9 million (excluding operating properties acquired in the Archstone Acquisition);
- Other miscellaneous properties (including three master-leased properties acquired in the Archstone Acquisition) of \$2.2 million; and
- Operating activities from other miscellaneous operations.

See also Note 13 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

Fee and asset management revenues, net of fee and asset management expenses, increased approximately \$0.9 million or 54.0% primarily as a result of higher revenue earned on management of the Company's military housing ventures at Fort Lewis and McChord Air Force base and higher fees earned on management of the Company's unconsolidated development joint ventures.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses decreased approximately \$1.8 million or 4.1%. This decrease is primarily attributable to a decrease in payroll-related costs, a decrease in computer operations due to the modernization of employee technology in 2013 and a decrease in office rent.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, decreased approximately \$144.2 million or 27.8% primarily as a result of in-place residential lease intangibles which are generally amortized over a six month period and can significantly elevate depreciation expense following an acquisition, especially during 2013 as a direct result of the Archstone Acquisition, partially offset by additional depreciation expense on properties acquired in 2014, development properties placed in service and capital expenditures for all properties owned.

General and administrative expenses from continuing operations, which include corporate operating expenses, decreased approximately \$1.3 million or 3.8% primarily due to a decrease in payroll-related costs, partially offset by an increase in office rent. The Company anticipates that general and administrative expenses will approximate \$50.0 million to \$52.0 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Interest and other income from continuing operations increased approximately \$1.9 million primarily due to the settlement of various litigation/insurance claims totaling \$2.3 million during the six months ended June 30, 2014 that did not occur in 2013. The Company anticipates that interest and other income, excluding the \$2.3 million in settlements discussed above, will approximate \$0.5 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Other expenses from continuing operations decreased approximately \$21.2 million or 90.6% primarily due to the closing of the Archstone Acquisition during the six months ended June 30, 2013 and the significant decline in transaction activity during the six months ended June 30, 2014.



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Interest expense from continuing operations, including amortization of deferred financing costs, decreased approximately \$93.8 million or 28.5% primarily as a result of \$78.8 million of debt extinguishment costs incurred on early debt prepayments and write-offs of unamortized deferred financing costs in 2013 on existing mortgage notes payable to manage the Company's post Archstone 2017 maturities profile and higher capitalized interest in 2014. During the six months ended June 30, 2014, the Company capitalized interest costs of approximately \$25.0 million as compared to \$20.0 million for the six months ended June 30, 2013. This capitalization of interest primarily relates to consolidated projects under development. The effective interest cost on all indebtedness for the six months ended June 30, 2014 was 4.72% as compared to 5.03% (excluding prepayment penalties) for the six months ended June 30, 2013. The Company anticipates that interest expense from continuing operations will approximate \$456.7 million to \$465.1 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Income and other tax expense from continuing operations increased approximately \$0.1 million or 6.4% primarily due to increases and timing of all other taxes. The Company anticipates that income and other tax expense will approximate \$1.0 million to \$2.0 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Loss from investments in unconsolidated entities decreased by \$45.5 million or 83.5% primarily due to indirect costs incurred in 2013 from the Archstone Acquisition through the Company's joint ventures with AVB such as severance and retention bonuses that did not reoccur in 2014.

Net gain on sales of land parcels decreased approximately \$13.8 million or 94.6% due to the gain on sale of five land parcels during the six months ended June 30, 2013 as compared to one land sale during the six months ended June 30, 2014.

Discontinued operations, net decreased approximately \$1.6 billion between the periods under comparison. This decrease is primarily due to substantially higher sales volume during the six months ended June 30, 2013 compared to the same period in 2014. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Net gain on sales of real estate properties increased \$14.9 million as a result of the sale of one consolidated apartment property during the six months ended June 30, 2014 that did not meet the new criteria for reporting discontinued operations. See Notes 2 and 11 in the Notes to Consolidated Financial Statements for further discussion.

Comparison of the quarter ended June 30, 2014 to the quarter ended June 30, 2013

For the quarter ended June 30, 2014, the Company reported diluted earnings per share/unit of \$0.31 compared to \$0.90 per share/unit in the same period of 2013. The difference is primarily due to approximately \$374.9 million in higher gains on property sales in 2013 vs. 2014, partially offset by higher depreciation in 2013 as a direct result of in-place residential lease intangibles acquired in the Archstone Transaction.

For the quarter ended June 30, 2014, income from continuing operations increased approximately \$160.8 million when compared to the quarter ended June 30, 2013. The increase in continuing operations is discussed below.

Revenues from the Second Quarter 2014 Same Store Properties increased \$24.7 million primarily as a result of an increase in average rental rates charged to residents, slightly higher occupancy and a decrease in turnover. Expenses from the Second Quarter 2014 Same Store Properties increased \$2.9 million primarily due to an increase in real estate taxes, partially offset by lower property management costs. The following tables provide comparative same store results and statistics for the Second Quarter 2014 Same Store Properties:



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Second Quarter 2014 vs. Second Quarter 2013  
 Same Store Results/Statistics for 100,648 Same Store Apartment Units  
 \$ in thousands (except for Average Rental Rate)

| Description | Results   |           |           | Statistics                    |           |          |    |
|-------------|-----------|-----------|-----------|-------------------------------|-----------|----------|----|
|             | Revenues  | Expenses  | NOI       | Average<br>Rental<br>Rate (1) | Occupancy | Turnover |    |
| Q2 2014     | \$626,746 | \$208,086 | \$418,660 | \$2,168                       | 95.8      | % 14.2   | %  |
| Q2 2013     | \$602,046 | \$205,213 | \$396,833 | \$2,088                       | 95.6      | % 14.4   | %  |
| Change      | \$24,700  | \$2,873   | \$21,827  | \$80                          | 0.2       | % (0.2   | %) |
| Change      | 4.1       | % 1.4     | % 5.5     | % 3.8                         | %         |          |    |

Note: Same store results/statistics include 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

(1) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartment units for the period.

The following table provides comparative same store operating expenses for the Second Quarter 2014 Same Store Properties:

Second Quarter 2014 vs. Second Quarter 2013  
 Same Store Operating Expenses for 100,648 Same Store Apartment Units  
 \$ in thousands

|   | Actual<br>Q2 2014 | Actual<br>Q2 2013 | \$<br>Change | %<br>Change | % of Actual<br>Q2 2014<br>Operating<br>Expenses |   |
|---|-------------------|-------------------|--------------|-------------|---|---|
| Real estate taxes                       | \$73,076          | \$68,776          | \$4,300      | 6.3         | % 35.1  | % |
| On-site payroll (1)                     | 43,933            | 43,313            | 620          | 1.4         | % 21.1  | % |
| Utilities (2)                           | 28,495            | 28,403            | 92           | 0.3         | % 13.7  | % |
| Repairs and maintenance (3)             | 27,116            | 26,787            | 329          | 1.2         | % 13.0  | % |
| Property management costs (4)           | 18,802            | 19,867            | (1,065)      | (5.4)       | (%) 9.1   | % |
| Insurance                               | 6,230             | 6,305             | (75)         | (1.2)       | (%) 3.0   | % |
| Leasing and advertising                 | 2,500             | 3,110             | (610)        | (19.6)      | (%) 1.2   | % |
| Other on-site operating expenses<br>(5) | 7,934             | 8,652             | (718)        | (8.3)       | (%) 3.8   | % |
| Same store operating expenses           | \$208,086         | \$205,213         | \$2,873      | 1.4         | % 100.0   | % |

(1) On-site payroll – Includes payroll and related expenses for on-site personnel including property managers, leasing consultants and maintenance staff.

(2) Utilities – Represents gross expenses prior to any recoveries under the Resident Utility Billing System (“RUBS”). Recoveries are reflected in rental income.

Repairs and maintenance – Includes general maintenance costs, apartment unit turnover costs including interior painting, routine landscaping, security, exterminating, fire protection, snow removal, elevator, roof and parking lot repairs and other miscellaneous building repair costs.

(4)

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Property management costs – Includes payroll and related expenses for departments, or portions of departments, that directly support on-site management. These include such departments as regional and corporate property management, property accounting, human resources, training, marketing and revenue management, procurement, real estate tax, property legal services and information technology.

- (5) Other on-site operating expenses – Includes ground lease costs and administrative costs such as office supplies, telephone and data charges and association and business licensing fees.

The following table presents a reconciliation of operating income per the consolidated statements of operations and comprehensive income to NOI for the Second Quarter 2014 Same Store Properties:

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|                                  | Quarter Ended June 30,<br>2014 | 2013      |
|----------------------------------|--------------------------------|-----------|
|                                  | (Amounts in thousands)         |           |
| Operating income                 | \$228,304                      | \$63,977  |
| Adjustments:                     |                                |           |
| Non-same store operating results | (12,108                        | ) (5,437  |
| Fee and asset management revenue | (2,802                         | ) (2,673  |
| Fee and asset management expense | 1,378                          | 1,577     |
| Depreciation                     | 190,136                        | 323,304   |
| General and administrative       | 13,752                         | 16,085    |
| Same store NOI                   | \$418,660                      | \$396,833 |

Non-same store operating results increased approximately \$6.7 million and consist primarily of properties acquired in calendar years 2013 and 2014 as well as operations from the Company's completed development properties, but exclude the 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company. This increase primarily resulted from:

Development and newly stabilized development properties in lease-up of \$3.6 million;  
 Operating properties acquired in 2013 and 2014 of \$2.3 million (excluding operating properties acquired in the Archstone Acquisition);  
 Operating activities from other miscellaneous operations; and  
 Partially offset by a decrease in other miscellaneous properties (including three master-leased properties acquired in the Archstone Acquisition) of \$0.4 million.

See also Note 13 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

Fee and asset management revenues, net of fee and asset management expenses, increased approximately \$0.3 million or 29.9% primarily as a result of higher fees earned on management of the Company's unconsolidated joint ventures.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses decreased approximately \$1.5 million or 6.7%. This decrease is primarily attributable to a decrease in payroll-related costs and a decrease in office rent.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, decreased approximately \$133.2 million or 41.2% primarily as a result of in-place residential lease intangibles which are generally amortized over a six month period and can significantly elevate depreciation expense following an acquisition, especially during 2013 as a direct result of the Archstone Acquisition, partially offset by additional depreciation expense on properties acquired in 2014, development properties placed in service and capital expenditures for all properties owned.

General and administrative expenses from continuing operations, which include corporate operating expenses, decreased approximately \$2.3 million or 14.5% primarily due to a decrease in payroll-related costs, partially offset by an increase in office rent.

Interest and other income from continuing operations increased approximately \$1.6 million primarily due to the settlement of various litigation/insurance claims during the quarter ended June 30, 2014 that did not occur in 2013.

Other expenses from continuing operations decreased approximately \$0.1 million or 6.0% primarily due to the closing of the Archstone Acquisition during 2013, partially offset by an increased focus on sourcing new development activities during 2014.

Interest expense from continuing operations, including amortization of deferred financing costs, decreased approximately \$8.2 million or 6.5% primarily as a result of the repayment of the Company's \$750.0 million unsecured term loan facility in June 2014, the repayment of \$963.5 million of 5.883% mortgage debt (which was assumed as part of the Archstone Transaction) in October 2013 and the partial paydown of \$825.0 million of 6.256% mortgage debt (which was assumed as part of the Archstone Transaction) in October 2013 as well as higher capitalized interest in 2014, partially offset by interest expense on \$1.2 billion of

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unsecured notes that closed in June 2014 and an \$800.0 million loan pool that closed in October 2013. During the quarter ended June 30, 2014, the Company capitalized interest costs of approximately \$12.2 million as compared to \$11.6 million for the quarter ended June 30, 2013. This capitalization of interest primarily relates to consolidated projects under development. The effective interest cost on all indebtedness for the quarter ended June 30, 2014 was 4.75% as compared to 4.65% for the quarter ended June 30, 2013.

Income and other tax expense from continuing operations increased approximately \$0.2 million or 50.9% primarily due to increases and timing of all other taxes.

Loss from investments in unconsolidated entities decreased by \$0.6 million or 6.8% primarily due to indirect costs incurred in 2013 from the Archstone Acquisition through the Company's joint ventures with AVB such as severance and retention bonuses that have significantly decreased in 2014.

Net gain on sales of land parcels decreased approximately \$13.8 million or 94.4% due to the gain on sale of five land parcels during the quarter ended June 30, 2013 as compared to one land sale during the quarter ended June 30, 2014.

Discontinued operations, net decreased approximately \$394.7 million between the periods under comparison. This decrease is primarily due to substantially higher sales volume during the quarter ended June 30, 2013 compared to the same period in 2014. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Net gain on sales of real estate properties increased \$14.9 million as a result of the sale of one consolidated apartment property during the quarter ended June 30, 2014 that did not meet the new criteria for reporting discontinued operations. See Notes 2 and 11 in the Notes to Consolidated Financial Statements for further discussion.

Liquidity and Capital Resources

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

As of January 1, 2014, the Company had approximately \$53.5 million of cash and cash equivalents and it had \$2.35 billion available under its revolving credit facility (net of \$34.9 million which was restricted/dedicated to support letters of credit and net of \$115.0 million outstanding). After taking into effect the various transactions discussed in the following paragraphs and the net cash provided by operating activities, the Company's cash and cash equivalents balance at June 30, 2014 was approximately \$76.1 million and the amount available on its revolving credit facility was \$2.47 billion (net of \$34.8 million which was restricted/dedicated to support letters of credit).

During the six months ended June 30, 2014, the Company generated proceeds from various transactions, which included the following:

Disposed of one consolidated property and a portion of a land parcel, receiving net proceeds of approximately \$48.4 million;

Issued \$450.0 million of five-year 2.375% fixed rate public notes, receiving net proceeds of \$449.6 million before underwriting fees and other expenses, at an all-in effective interest rate of 2.52%;

Issued \$750.0 million of thirty-year 4.50% fixed rate public notes, receiving net proceeds of \$744.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 4.57%;

Received approximately \$64.7 million representing the Company's pro rata share of the proceeds/distributions that have been repatriated to the Residual JV as a result of the disposition of the majority of the remaining German real estate assets that were acquired by the Residual JV as part of the Archstone Acquisition (see Note 6); and

Issued approximately 0.9 million Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$27.9 million, which were contributed to the capital of the Operating Partnership in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis).

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During the six months ended June 30, 2014, the above proceeds along with net cash flow from operations and availability on the Company's revolving line of credit were primarily utilized to:

Acquire three rental properties, one land parcel and additional development rights at one of its existing land sites for approximately \$265.5 million;  
Invest \$245.7 million primarily in development projects;  
Repay \$9.1 million of mortgage loans;

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Repay its \$750.0 million unsecured term loan facility in conjunction with the note issuances discussed above; and Repurchase 31,240 Common Shares, utilizing cash of \$1.8 million (See Note 3).

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. 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. Lehman has since sold all of these Common Shares.

In September 2009, EQR announced the establishment of an At-The-Market (“ATM”) share offering program which would allow EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP’s partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). EQR may, but shall have no obligation to, sell Common Shares through the ATM share offering program in amounts and at times to be determined by EQR. Actual sales will depend on a variety of factors to be determined by EQR from time to time, including (among others) market conditions, the trading price of EQR’s Common Shares and determinations of the appropriate sources of funding for EQR. On July 30, 2013, the Board of Trustees approved an increase to the amount of shares which may be offered under the ATM program to 13.0 million Common Shares and extended the program maturity to July 2016. EQR has not issued any shares under this program since September 14, 2012. Through July 31, 2014, EQR has cumulatively issued approximately 16.7 million Common Shares at an average price of \$48.53 per share for total consideration of approximately \$809.9 million.

Depending on its analysis of market prices, economic conditions and other opportunities for the investment of available capital, EQR may repurchase its Common Shares pursuant to its existing share repurchase program authorized by the Board of Trustees. Effective July 30, 2013, the Board of Trustees approved an increase and modification to the Company’s share repurchase program to allow for the potential repurchase of up to 13.0 million shares. EQR repurchased approximately \$1.8 million (31,240 shares at a price of \$56.87 per share) of its Common Shares (all related to the vesting of employees’ restricted shares) during the six months ended June 30, 2014. No open market repurchases have occurred since 2008. As of July 31, 2014, EQR has remaining authorization to repurchase an additional 12,968,760 of its shares. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

Depending on its analysis of prevailing market conditions, liquidity requirements, contractual restrictions and other factors, the Company may from time to time seek to repurchase and retire its outstanding debt in open market or privately negotiated transactions.

The Company’s total debt summary and debt maturity schedules as of June 30, 2014 are as follows:

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Debt Summary as of June 30, 2014

(Amounts in thousands)

|                                       | Amounts (1)  | % of Total | Weighted<br>Average<br>Rates (1) | Weighted<br>Average<br>Maturities<br>(years) |
|---------------------------------------|--------------|------------|----------------------------------|--|
| Secured                               | \$5,158,091  | 46.5       | % 4.23                           | % 7.9  |
| Unsecured                             | 5,923,952    | 53.5       | % 4.74                           | % 7.8  |
| Total                                 | \$11,082,043 | 100.0      | % 4.50                           | % 7.9  |
| Fixed Rate Debt:                      |              |            |                                  |  |
| Secured – Conventional                | \$4,375,827  | 39.5       | % 4.85                           | % 6.4  |
| Unsecured – Public                    | 5,472,950    | 49.4       | % 5.53                           | % 8.0  |
| Fixed Rate Debt                       | 9,848,777    | 88.9       | % 5.20                           | % 7.4  |
| Floating Rate Debt:                   |              |            |                                  |  |
| Secured – Conventional                | 56,738       | 0.5        | % 2.25                           | % 0.3  |
| Secured – Tax Exempt                  | 725,526      | 6.5        | % 0.66                           | % 16.7                                       |
| Unsecured – Public (2)                | 451,002      | 4.1        | % 1.32                           | % 5.0  |
| Unsecured – Revolving Credit Facility | —            | —          | 0.96                             | % 3.8  |
| Floating Rate Debt                    | 1,233,266    | 11.1       | % 1.02                           | % 11.8                                       |
| Total                                 | \$11,082,043 | 100.0      | % 4.50                           | % 7.9  |

(1) Net of the effect of any derivative instruments. Weighted average rates are for the six months ended June 30, 2014.

(2) Fair value interest rate swaps convert the \$450.0 million 2.375% notes due July 1, 2019 to a floating interest rate of 90-Day LIBOR plus 0.61%.

Note: The Company capitalized interest of approximately \$25.0 million and \$20.0 million during the six months ended June 30, 2014 and 2013, respectively. The Company capitalized interest of approximately \$12.2 million and \$11.6 million during the quarters ended June 30, 2014 and 2013, respectively.

Debt Maturity Schedule as of June 30, 2014

(Amounts in thousands)

| Year               | Fixed<br>Rate (1) | Floating<br>Rate (1) | Total        | % of Total | Weighted Average<br>Rates on Fixed<br>Rate Debt (1) | Weighted Average<br>Rates on<br>Total Debt (1) |
|--------------------|-------------------|----------------------|--------------|------------|---|--|
| 2014               | \$505,831         | \$48,753             | \$554,584    | 5.0        | % 5.25  | % 5.02   |
| 2015               | 420,712           | —                    | 420,712      | 3.8        | % 6.28  | % 6.28   |
| 2016               | 1,193,107         | —                    | 1,193,107    | 10.8       | % 5.34  | % 5.34   |
| 2017               | 1,346,581         | 456                  | 1,347,037    | 12.1       | % 6.16  | % 6.16   |
| 2018               | 84,196            | 97,659               | 181,855      | 1.6        | % 5.61  | % 3.13   |
| 2019               | 806,469           | 472,218              | 1,278,687    | 11.5       | % 5.48  | % 3.76   |
| 2020               | 1,678,413         | 809                  | 1,679,222    | 15.2       | % 5.49  | % 5.49   |
| 2021               | 1,195,041         | 856                  | 1,195,897    | 10.8       | % 4.63  | % 4.64   |
| 2022               | 228,716           | 905                  | 229,621      | 2.1        | % 3.17  | % 3.18   |
| 2023               | 1,302,847         | 956                  | 1,303,803    | 11.8       | % 3.75  | % 3.75   |
| 2024+              | 1,046,561         | 674,988              | 1,721,549    | 15.5       | % 4.99  | % 3.21   |
| Premium/(Discount) | 40,303            | (64,334)             | (24,031)     | (0.2)      | (%) N/A   | N/A  |
| Total              | \$9,848,777       | \$1,233,266          | \$11,082,043 | 100.0      | % 5.14  | % 4.63   |

(1) Net of the effect of any derivative instruments. Weighted average rates are as of June 30, 2014.

The following table provides a summary of the Company's unsecured debt as of June 30, 2014:

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## Unsecured Debt Summary as of June 30, 2014

(Amounts in thousands)

|                                      | Coupon<br>Rate | Due<br>Date | Face<br>Amount | Unamortized<br>Premium/<br>(Discount) | Net<br>Balance |
|--------------------------------------|----------------|-------------|----------------|---------------------------------------|----------------|
| Fixed Rate Notes:                    |                |             |                |                                       |                |
|                                      | 5.250%         | 09/15/14    | \$ 500,000     | \$(13 )                               | \$ 499,987     |
|                                      | 6.584%         | 04/13/15    | 300,000        | (83 )                                 | 299,917        |
|                                      | 5.125%         | 03/15/16    | 500,000        | (90 )                                 | 499,910        |
|                                      | 5.375%         | 08/01/16    | 400,000        | (386 )                                | 399,614        |
|                                      | 5.750%         | 06/15/17    | 650,000        | (1,526 )                              | 648,474        |
|                                      | 7.125%         | 10/15/17    | 150,000        | (213 )                                | 149,787        |
|                                      | 2.375%         | 07/01/19    | (1) 450,000    | (450 )                                | 449,550        |
| Fair Value Derivative<br>Adjustments |                |             | (1) (450,000 ) | 450                                   | (449,550 )     |
|                                      | 4.750%         | 07/15/20    | 600,000        | (2,747 )                              | 597,253        |
|                                      | 4.625%         | 12/15/21    | 1,000,000      | (2,826 )                              | 997,174        |
|                                      | 3.000%         | 04/15/23    | 500,000        | (3,894 )                              | 496,106        |
|                                      | 7.570%         | 08/15/26    | 140,000        | —                                     | 140,000        |
|                                      | 4.500%         | 07/01/44    | 750,000        | (5,272 )                              | 744,728        |
|                                      |                |             | 5,490,000      | (17,050 )                             | 5,472,950      |
| Floating Rate Notes:                 |                |             |                |                                       |                |
|                                      |                | 07/01/19    | (1) 450,000    | (450 )                                | 449,550        |
| Fair Value Derivative<br>Adjustments |                | 07/01/19    | (1) 1,452      | —                                     | 1,452          |
|                                      |                |             | 451,452        | (450 )                                | 451,002        |
| Revolving Credit Facility:           | LIBOR+1.05%    | 04/01/18    | (2)(3) —       | —                                     | —              |
| Total Unsecured Debt                 |                |             | \$ 5,941,452   | \$(17,500 )                           | \$ 5,923,952   |

(1) Fair value interest rate swaps convert the \$450.0 million 2.375% notes due July 1, 2019 to a floating interest rate of 90-Day LIBOR plus 0.61%.

(2) Facility is private. All other unsecured debt is public.

Represents the Company's \$2.5 billion unsecured revolving credit facility maturing April 1, 2018. The interest rate on advances under the credit facility will generally be LIBOR plus a spread (currently 1.05%) and an annual (3) facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt. As of June 30, 2014, there was approximately \$2.47 billion available on the Company's unsecured revolving credit facility.

An unspecified amount of equity and debt securities remains available for issuance by EQR and ERPOP under a universal shelf registration statement that automatically became effective upon filing with the SEC on July 30, 2013 and expires on July 30, 2016. In July 2013, the Board of Trustees also approved an increase to the amount of shares which may be offered under the ATM program to 13.0 million Common Shares and extended the program maturity to July 2016. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of June 30, 2014 is presented in the following table. The Company calculates the equity component of its market capitalization as the sum of (i) the total

outstanding Common Shares and assumed conversion of all Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preferred shares outstanding.

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## Equity Residential

## Capital Structure as of June 30, 2014

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

|  |             |       |   |              |       |   |       |   |
|--|-------------|-------|---|--------------|-------|---|-------|---|
| Secured Debt                               |             |       |   | \$5,158,091  | 46.5  | % |       |   |
| Unsecured Debt                             |             |       |   | 5,923,952    | 53.5  | % |       |   |
| Total Debt                                 |             |       |   | 11,082,043   | 100.0 | % | 31.8  | % |
| Common Shares (includes Restricted Shares) | 361,562,007 | 96.2  | % |              |       |   |       |   |
| Units (includes OP Units and LTIP Units)   | 14,336,826  | 3.8   | % |              |       |   |       |   |
| Total Shares and Units                     | 375,898,833 | 100.0 | % |              |       |   |       |   |
| Common Share Price at June 30, 2014        | \$63.00     |       |   |              |       |   |       |   |
|  |             |       |   | 23,681,626   | 99.8  | % |       |   |
| Perpetual Preferred Equity (see below)     |             |       |   | 50,000       | 0.2   | % |       |   |
| Total Equity                               |             |       |   | 23,731,626   | 100.0 | % | 68.2  | % |
| Total Market Capitalization                |             |       |   | \$34,813,669 |       |   | 100.0 | % |

## Equity Residential

## Perpetual Preferred Equity as of June 30, 2014

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

| Series                           | Redemption Date | Outstanding Shares | Liquidation Value | Annual Dividend Per Share | Annual Dividend Amount |
|----------------------------------|-----------------|--------------------|-------------------|---------------------------|------------------------|
| Preferred Shares:                |                 |                    |                   |                           |                        |
| 8.29% Series K                   | 12/10/26        | 1,000,000          | \$50,000          | \$4.145                   | \$4,145                |
| Total Perpetual Preferred Equity |                 | 1,000,000          | \$50,000          |                           | \$4,145                |

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of June 30, 2014 is presented in the following table. The Operating Partnership calculates the equity component of its market capitalization as the sum of (i) the total outstanding Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preference units outstanding.

## ERP Operating Limited Partnership

## Capital Structure as of June 30, 2014

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

|  |  |             |  |              |       |   |       |   |
|--|--|-------------|--|--------------|-------|---|-------|---|
| Secured Debt                           |  |             |  | \$5,158,091  | 46.5  | % |       |   |
| Unsecured Debt                         |  |             |  | 5,923,952    | 53.5  | % |       |   |
| Total Debt                             |  |             |  | 11,082,043   | 100.0 | % | 31.8  | % |
| Total outstanding Units                |  | 375,898,833 |  |              |       |   |       |   |
| Common Share Price at June 30, 2014    |  | \$63.00     |  |              |       |   |       |   |
|  |  |             |  | 23,681,626   | 99.8  | % |       |   |
| Perpetual Preference Units (see below) |  |             |  | 50,000       | 0.2   | % |       |   |
| Total Equity                           |  |             |  | 23,731,626   | 100.0 | % | 68.2  | % |
| Total Market Capitalization            |  |             |  | \$34,813,669 |       |   | 100.0 | % |

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## ERP Operating Limited Partnership

Perpetual Preference Units as of June 30, 2014

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

| Series                           | Redemption Date | Outstanding Units | Liquidation Value | Annual Dividend Per Unit | Annual Dividend Amount |
|----------------------------------|-----------------|-------------------|-------------------|--------------------------|------------------------|
| Preference Units:                |                 |                   |                   |                          |                        |
| 8.29% Series K                   | 12/10/26        | 1,000,000         | \$50,000          | \$4.145                  | \$4,145                |
| Total Perpetual Preference Units |                 | 1,000,000         | \$50,000          |                          | \$4,145                |

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

The Company has a flexible dividend policy which it believes will generate payouts closely aligned with the actual annual operating results of the Company's core business and provide transparency to investors. Beginning in 2014, the Company's annual dividend will be paid based on 65% of the midpoint of the range of Normalized FFO guidance customarily provided as part of the Company's fourth quarter earnings release. The Company expects the annual dividend payout will be \$2.00 per share and the Company intends to pay four quarterly dividends of \$0.50 per share in 2014. All future dividends remain subject to the discretion of the Board of Trustees. The above assumption is based on current expectations and is forward-looking. While our current dividend policy makes it less likely we will over distribute, it will also lead to a dividend reduction more quickly should operating results deteriorate. However, whether due to changes in the dividend policy or otherwise, there may be times when the Company experiences shortfalls in its coverage of distributions, which may cause the Company to consider reducing its distributions and/or using the proceeds from property dispositions or additional financing transactions to make up the difference. Should these shortfalls occur for lengthy periods of time or be material in nature, the Company's financial condition may be adversely affected and it may not be able to maintain its current distribution levels. The Company believes that its expected 2014 operating cash flow will be sufficient to cover capital expenditures and distributions.

The Company also expects to meet its long-term liquidity requirements, such as scheduled unsecured note and mortgage debt maturities, property acquisitions, financing of construction and development activities through the issuance of secured and unsecured debt and equity securities, including additional OP Units, proceeds received from the disposition of certain properties and joint ventures and cash generated from operations after all distributions. In addition, the Company has significant unencumbered properties available to secure additional mortgage borrowings in the event that the public capital markets are unavailable or the cost of alternative sources of capital is too high. The fair value of and cash flow from these unencumbered properties are in excess of the requirements the Company must maintain in order to comply with covenants under its unsecured notes and line of credit. Of the \$27.3 billion in investment in real estate on the Company's balance sheet at June 30, 2014, \$18.6 billion or 68.1% was unencumbered. However, there can be no assurances that these sources of capital will be available to the Company in the future on acceptable terms or otherwise.

ERPOP's credit ratings from Standard & Poor's ("S&P"), Moody's and Fitch for its outstanding senior debt are BBB+ (positive outlook), Baa1 and BBB+, respectively. EQR's equity ratings from S&P, Moody's and Fitch for its outstanding preferred equity are BBB+ (positive outlook), Baa2 and BBB-, respectively.

On January 11, 2013, the Company replaced its existing \$1.75 billion facility with a \$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 facility will generally be LIBOR plus a spread (currently 1.05%) and the Company pays an annual facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt. As of July 31, 2014, there was available borrowings of \$2.34 billion (net of \$34.8 million which was restricted/dedicated to support letters of credit and net of \$126.0 million outstanding) on the revolving credit facility. This facility may, among other potential uses, be used to fund property acquisitions, costs for certain properties under development and short-term liquidity requirements.

See Note 14 in the Notes to Consolidated Financial Statements for discussion of the events which occurred subsequent to June 30, 2014.



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## Capitalization of Fixed Assets and Improvements to Real Estate

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

Replacements (inside the apartment unit). These include:

flooring such as carpets, hardwood, vinyl or tile;

appliances;

mechanical equipment such as individual furnace/air units, hot water heaters, etc;

furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors,

countertops, etc; and

blinds.

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

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

roof replacement and major repairs;

paving or major resurfacing of parking lots, curbs and sidewalks;

amenities and common areas such as pools, exterior sports and playground equipment, lobbies, clubhouses, laundry rooms, alarm and security systems and offices;

major building mechanical equipment systems;

interior and exterior structural repair and exterior painting and siding;

major landscaping and grounds improvement; and

vehicles and office and maintenance equipment.

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

For the six months ended June 30, 2014, our actual improvements to real estate totaled approximately \$76.9 million.

This includes the following (amounts in thousands except for apartment unit and per apartment unit amounts):

## Capital Expenditures to Real Estate

For the Six Months Ended June 30, 2014

|                                  | Total<br>Apartment<br>Units (1) | Replacements (2) | Avg. Per<br>Apartment<br>Unit | Building<br>Improvements | Avg. Per<br>Apartment<br>Unit | Total    | Avg. Per<br>Apartment<br>Unit |
|----------------------------------|---------------------------------|------------------|-------------------------------|--------------------------|-------------------------------|----------|-------------------------------|
| Same Store Properties<br>(3)     | 100,648                         | \$ 34,742        | \$345                         | \$39,656                 | \$394                         | \$74,398 | \$739                         |
| Non-Same Store<br>Properties (4) | 4,167                           | 112              | 34                            | 2,312                    | 698                           | 2,424    | 732                           |
| Other (5)                        | —                               | 86               |                               | 4                        |                               | 90       |                               |
| Total                            | 104,815                         | \$ 34,940        |                               | \$41,972                 |                               | \$76,912 |                               |

Total Apartment Units – Excludes 1,669 unconsolidated apartment units and 5,007 military housing apartment units (1) for which repairs and maintenance expenses and capital expenditures to real estate are self-funded and do not consolidate into the Company's results.

(2)

Replacements – Includes new expenditures inside the apartment units such as appliances, mechanical equipment, fixtures and flooring, including carpeting. Replacements for same store properties also include \$19.6 million spent during the six months ended June 30, 2014 on apartment unit renovations/rehabs (primarily kitchens and baths) on 2,253 same store apartment units (equating to about \$8,700 per apartment unit rehabbed) designed to reposition these assets for higher rental levels in their respective markets.

Same Store Properties – Primarily includes all properties acquired or completed and stabilized prior to January 1, (3) 2013, less properties subsequently sold. Also includes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company.

Non-Same Store Properties – Primarily includes all properties acquired during 2013 and 2014, plus any properties in (4) lease-up and not stabilized as of January 1, 2013, but excludes 18,465 stabilized apartment units acquired in the Archstone Acquisition that are owned and managed by the Company. Per apartment unit amounts are based on a weighted average of 3,313 apartment units.

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(5)Other – Primarily includes expenditures for properties sold.

For 2014, the Company estimates that it will spend approximately \$1,700 per apartment unit of capital expenditures, inclusive of apartment unit renovation/rehab costs, or \$1,250 per apartment unit excluding apartment unit renovation/rehab costs. In 2014, the Company expects to spend approximately \$45.0 million for all unit renovation/rehab costs (primarily on same store properties) at a weighted average cost of \$8,500 per apartment unit rehabbed. These anticipated amounts represent an increase in the cost per unit over 2013, which is primarily driven by increases in building improvement costs (i.e. roofs, mechanical systems and siding) for the Archstone assets as well as certain large building improvement projects the Company had planned to complete in 2013 but will not finalize until 2014. The Company is accelerating its rehab/renovation efforts in 2014 with plans to continue to create value from our properties by doing those rehabs that meet our investment parameters. The above assumptions are based on current expectations and are forward-looking.

During the six months ended June 30, 2014, the Company's total non-real estate capital additions, such as computer software, computer equipment, and furniture and fixtures and leasehold improvements to the Company's property management offices and its corporate offices, were approximately \$1.8 million. The Company expects to fund approximately \$0.9 million in total additions to non-real estate property for the remainder of 2014. The above assumption is based on current expectations and is forward-looking.

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

### Derivative Instruments

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

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

See Note 9 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at June 30, 2014.

### Other

Total distributions paid in July 2014 amounted to \$187.9 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the second quarter ended June 30, 2014.

### Off-Balance Sheet Arrangements and Contractual Obligations

#### Archstone Acquisition

On February 27, 2013, in conjunction with the Archstone Acquisition, the Company acquired unconsolidated interests in several joint ventures. The Company does not believe that these investments have a materially different impact

upon its liquidity, cash flows, capital resources, credit or market risk than its other consolidated operating and/or development activities. Details of these interests follow by project:

San Norterra – This venture developed certain land parcels into a 388 unit apartment building located in Phoenix, Arizona and was completed and stabilized during the quarter ended June 30, 2014. The Company has an 85% equity interest with an initial basis of \$16.9 million. Total project costs were approximately \$52.8 million and construction was partially funded with a construction loan that was 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 \$33.0 million; the loan bears interest at LIBOR plus 2.00% and matures January 6, 2015. The partner is the managing member and developed 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.

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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 \$30.3 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.

Parc on Powell (formerly known as 1333 Powell) – This venture is currently developing certain land parcels into a 176 unit apartment building located in Emeryville, California. The Company has a 5% equity interest with an initial obligation of approximately \$2.1 million. Total project costs are expected to be approximately \$75.0 million and construction is being partially funded with a construction loan. The loan has a maximum debt commitment of \$39.5 million and a current unconsolidated outstanding balance of \$22.0 million; the loan bears 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. 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, such as interests in a six property 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 \$147.6 million. The Residual JV 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 Residual JV is unconsolidated and recorded using the equity method of accounting.

During the six months ended June 30, 2014, the Company closed on the sale of its unconsolidated interest in the German portfolio fund and the German management company, representing the sale of the majority of the remaining German real estate assets that were acquired by the Residual JV as part of the Archstone Acquisition. The Company's pro rata share of the proceeds/distributions that have been repatriated to the Residual JV and received by the Company as a result of the German dispositions was approximately \$64.7 million during the six months ended June 30, 2014 and \$83.6 million cumulatively since the closing of the Archstone Acquisition.

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. During the year ended December 31, 2013, the Company purchased with AVB \$65.0 million (of which the Company's 60% share was \$39.0 million) of the preferred interests assumed by Legacy JV. At June 30, 2014, the remaining preferred interests have an aggregate liquidation value of \$76.8 million, our share of which is included in other liabilities in the accompanying consolidated balance sheets. Obligations of the Legacy JV are borne 60% by the Company and 40% by AVB. The Legacy JV 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 Legacy JV is unconsolidated and recorded using the equity method of accounting.

Other

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 projects are now unconsolidated. Details of

these projects follow:

Nexus Sawgrass – This development project is substantially complete. Total project costs are expected to be approximately \$79.0 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$48.7 million and a current unconsolidated outstanding balance of \$48.6 million; the loan bears interest at 5.60% and matures January 1, 2021.

Domain – This development project is substantially complete. Total project costs are expected to be approximately \$155.8 million and construction is predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$98.6 million and a current unconsolidated outstanding balance of \$96.4 million; the loan bears interest at 5.75% and matures January 1, 2022.

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While the Company is the managing member of both of the joint ventures, was 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. The Company currently has no further funding obligations related to these projects. The Company's strategy with respect to these ventures was to reduce its financial risk related to the development of the properties. However, management does not believe that these investments have a materially different impact upon the Company's liquidity, cash flows, capital resources, credit or market risk than its other consolidated development activities.

As of June 30, 2014, the Company has 12 consolidated projects (including Prism at Park Avenue South in New York City which the Company is jointly developing with Toll Brothers – see Note 12 in the Notes to Consolidated Financial Statements for further discussion) totaling 3,871 apartment units and one unconsolidated project totaling 176 apartment units in various stages of development with estimated completion dates ranging through September 30, 2016, as well as other completed development projects that are in various stages of lease up or are stabilized. The development agreements currently in place are discussed in detail in Note 12 of the Company's Consolidated Financial Statements.

See also Notes 2 and 6 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's investments in partially owned entities.

The Company's contractual obligations for the next five years and thereafter have not changed materially from the amounts and disclosures included in the Company's annual report on Form 10-K. See the updated debt maturity schedule included in Liquidity and Capital Resources for further discussion.

## Critical Accounting Policies and Estimates

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

The Company has identified five significant accounting policies as critical accounting policies. These critical accounting policies are those that have the most impact on the reporting of our financial condition and those requiring significant judgments and estimates. With respect to these critical accounting policies, management believes that the application of judgments and estimates is consistently applied and produces financial information that fairly presents the results of operations for all periods presented. The five critical accounting policies are:

### Acquisition of Investment Properties

The Company allocates the purchase price of properties 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.

### Impairment of Long-Lived Assets

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

#### Depreciation of Investment in Real Estate

The Company depreciates the building component of its investment in real estate over a 30-year estimated useful life, building improvements over a 5-year to 15-year estimated useful life and both the furniture, fixtures and equipment and replacement components over a 5-year to 10-year estimated useful life, all of which are judgmental determinations.



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Cost Capitalization

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

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

During the six months ended June 30, 2014 and 2013, the Company capitalized \$10.3 million and \$8.4 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Fair Value of Financial Instruments, Including Derivative Instruments

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

Funds From Operations and Normalized Funds From Operations

For the six months ended June 30, 2014, Funds From Operations ("FFO") available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units increased \$202.7 million, or 57.3%, and \$68.1 million, or 13.8%, respectively, as compared to the six months ended June 30, 2013.

For the quarter ended June 30, 2014, FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units increased \$16.2 million, or 5.9% and \$28.6 million, or 10.7%, respectively, as compared to the quarter ended June 30, 2013.

The following is the Company's and the Operating Partnership's reconciliation of net income to FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units for the six months and quarters ended June 30, 2014 and 2013:

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## Funds From Operations and Normalized Funds From Operations

(Amounts in thousands)

|   | Six Months Ended June 30, |              | Quarter Ended June 30, |            |
|---|---------------------------|--------------|------------------------|------------|
|   | 2014                      | 2013         | 2014                   | 2013       |
| Net income  | \$200,452                 | \$1,397,766  | \$117,720              | \$336,732  |
| Net (income) loss attributable to Noncontrolling Interests  |                           |              |                        |            |
| – Partially Owned Properties  | (1,092                    | ) 790        | (588                   | ) 815      |
| Preferred distributions   | (2,072                    | ) (2,072     | ) (1,036               | ) (1,036   |
| Net income available to Common Shares and Units / Units   | 197,288                   | 1,396,484    | 116,096                | 336,511    |
| Adjustments:  |                           |              |                        |            |
| Depreciation  | 375,303                   | 519,526      | 190,136                | 323,304    |
| Depreciation – Non-real estate additions  | (2,348                    | ) (2,473     | ) (1,160               | ) (1,257   |
| Depreciation – Partially Owned Properties   | (2,140                    | ) (3,550     | ) (1,072               | ) (2,275   |
| Depreciation – Unconsolidated Properties  | 3,436                     | 1,042        | 1,833                  | 782        |
| Net (gain) on sales of real estate properties   | (14,903                   | ) —          | (14,903                | ) —        |
| Discontinued operations:  |                           |              |                        |            |
| Depreciation  | —                         | 30,962       | —                      | 7,146      |
| Net (gain) on sales of discontinued operations  | (224                      | ) (1,588,874 | ) (153                 | ) (389,952 |
| Net incremental gain on sales of condominium units  | —                         | 7            | —                      | 7          |
| Gain on sale of Equity Corporate Housing (ECH)  | —                         | 601          | —                      | 351        |
| FFO available to Common Shares and Units / Units (1) (3) (4)  | 556,412                   | 353,725      | 290,777                | 274,617    |
| Adjustments:  |                           |              |                        |            |
| Asset impairment and valuation allowances   | —                         | —            | —                      | —          |
| Property acquisition costs and write-off of pursuit costs   | 7,877                     | 76,116       | 7,403                  | 8,448      |
| Debt extinguishment (gains) losses, including prepayment penalties, preferred share/preference unit redemptions and non-cash convertible debt discounts | 491                       | 78,820       | 491                    | (823       |
| (Gains) losses on sales of non-operating assets, net of income and other tax expense (benefit)  | (851                      | ) (15,224    | ) (860                 | ) (14,974  |
| Other miscellaneous non-comparable items  | (2,390                    | ) —          | (1,927                 | ) —        |
| Normalized FFO available to Common Shares and Units / Units (2) (3) (4)   | \$561,539                 | \$493,437    | \$295,884              | \$267,268  |
| FFO (1) (3)   | \$558,484                 | \$355,797    | \$291,813              | \$275,653  |
| Preferred/preference distributions  | (2,072                    | ) (2,072     | ) (1,036               | ) (1,036   |
| FFO available to Common Shares and Units / Units (1) (3) (4)  | \$556,412                 | \$353,725    | \$290,777              | \$274,617  |
| Normalized FFO (2) (3)  | \$563,611                 | \$495,509    | \$296,920              | \$268,304  |
| Preferred/preference distributions  | (2,072                    | ) (2,072     | ) (1,036               | ) (1,036   |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Normalized FFO available to Common Shares and Units / | \$561,539 | \$493,437 | \$295,884 | \$267,268 |
| Units (2) (3) (4)                                     |           |           |           |           |

(1) The National Association of Real Estate Investment Trusts (“NAREIT”) defines funds from operations (“FFO”) (April 2002 White Paper) as net income (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales and impairment write-downs of depreciable operating properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The April 2002 White Paper states that gain or loss on sales of property is excluded from FFO for previously depreciated operating properties only. Once the Company commences the conversion of apartment units to condominiums, it simultaneously discontinues depreciation of such property.

(2) Normalized funds from operations (“Normalized FFO”) begins with FFO and excludes:  
the impact of any expenses relating to non-operating asset impairment and valuation allowances;  
property acquisition and other transaction costs related to mergers and acquisitions and pursuit cost write-offs;  
gains and losses from early debt extinguishment, including prepayment penalties, preferred share/preference unit redemptions and the cost related to the implied option value of non-cash convertible debt discounts;  
gains and losses on the sales of non-operating assets, including gains and losses from land parcel and condominium sales, net of the effect of income tax benefits or expenses; and  
other miscellaneous non-comparable items.

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The Company believes that FFO and FFO available to Common Shares and Units / Units are helpful to investors as supplemental measures of the operating performance of a real estate company, because they are recognized measures of performance by the real estate industry and by excluding gains or losses related to dispositions of depreciable property and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO and FFO available to Common Shares and Units / Units can help compare the operating performance of a company's real estate between periods or as compared to different companies. The Company also believes that Normalized FFO and Normalized FFO available to Common Shares and Units / Units are helpful to investors as supplemental measures of the operating performance of a real estate company because they allow investors to compare the Company's operating performance to its performance in prior reporting periods and to the operating performance of other real estate (3) companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company's actual operating results. FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units do not represent net income, net income available to Common Shares / Units or net cash flows from operating activities in accordance with GAAP. Therefore, FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units should not be exclusively considered as alternatives to net income, net income available to Common Shares / Units or net cash flows from operating activities as determined by GAAP or as a measure of liquidity. The Company's calculation of FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units may differ from other real estate companies due to, among other items, variations in cost capitalization policies for capital expenditures and, accordingly, may not be comparable to such other real estate companies.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's and the Operating Partnership's market risk has not changed materially from the amounts and information reported in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk, to the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2013. See the Current Environment section of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations relating to market risk and the current economic environment. See also Note 9 in the Notes to Consolidated Financial Statements for additional discussion of derivative and other fair value instruments.

Item 4. Controls and Procedures

Equity Residential

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of June 30, 2014, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on

that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to in Item 4(a) above that occurred during the second quarter of 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ERP Operating Limited Partnership

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of June 30, 2014, the Operating Partnership carried out an evaluation, under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of EQR, of the effectiveness of the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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(b) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Operating Partnership identified in connection with the Operating Partnership's evaluation referred to in Item 4(a) above that occurred during the second quarter of 2014 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Operating Partnership do not believe that there have been any material developments in the legal proceedings that were discussed in Part I, Item 3 of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 1A. Risk Factors

There have been no material changes to the risk factors that were discussed in Part I, Item 1A of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Common Shares Issued in the Quarter Ended June 30, 2014 - Equity Residential

During the quarter ended June 30, 2014, EQR issued 38,493 Common Shares in exchange for 38,493 OP Units held by various limited partners of the Operating Partnership. OP Units are generally exchangeable into Common Shares on a one-for-one basis or, at the option of the Operating Partnership, the cash equivalent thereof, at any time one year after the date of issuance. These shares were either registered under the Securities Act of 1933, as amended (the "Securities Act"), or issued in reliance on an exemption from registration under Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder, as these were transactions by an issuer not involving a public offering. In light of the manner of the sale and information obtained by EQR from the limited partners in connection with these transactions, EQR believes it may rely on these exemptions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits – See the Exhibit Index

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITY RESIDENTIAL

Date: August 7, 2014

By: /s/ Mark J. Parrell  
Mark J. Parrell  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 7, 2014

By: /s/ Ian S. Kaufman  
Ian S. Kaufman  
Senior Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

ERP OPERATING LIMITED PARTNERSHIP  
BY: EQUITY RESIDENTIAL  
ITS GENERAL PARTNER

Date: August 7, 2014

By: /s/ Mark J. Parrell  
Mark J. Parrell  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 7, 2014

By: /s/ Ian S. Kaufman  
Ian S. Kaufman  
Senior Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)



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## EXHIBIT INDEX

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

| Exhibit | Description  | Location   |
|---------|--|--|
| 4.1     | Form of 2.375% Note due July 1, 2019.  | Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014. |
| 4.2     | Form of 4.500% Note due July 1, 2044.  | Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014. |
| 12      | Computation of Ratio of Earnings to Combined Fixed Charges.  | Attached herein.   |
| 31.1    | Equity Residential – Certification of David J. Neithercut, Chief Executive Officer.  | Attached herein.   |
| 31.2    | Equity Residential – Certification of Mark J. Parrell, Chief Financial Officer.  | Attached herein.   |
| 31.3    | ERP Operating Limited Partnership – Certification of David J. Neithercut, Chief Executive Officer of Registrant’s General Partner.   | Attached herein.   |
| 31.4    | ERP Operating Limited Partnership – Certification of Mark J. Parrell, Chief Financial Officer of Registrant’s General Partner.   | Attached herein.   |
| 32.1    | Equity Residential – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of David J. Neithercut, Chief Executive Officer of the Company.                                 | Attached herein.   |
| 32.2    | Equity Residential – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Financial Officer of the Company.                                     | Attached herein.   |
| 32.3    | ERP Operating Limited Partnership – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of David J. Neithercut, Chief Executive Officer of Registrant’s General Partner. | Attached herein.   |
| 32.4    | ERP Operating Limited Partnership – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Financial  | Attached herein.   |

Officer of Registrant's General Partner.

101 XBRL (Extensible Business Reporting Language). The following materials from Equity Residential's and ERP Operating Limited Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2014, formatted in XBRL: (i) consolidated balance sheets, (ii) consolidated statements of operations and comprehensive income, (iii) consolidated statements of cash flows, (iv) consolidated statement of changes in equity (Equity Residential), (v) consolidated statement of changes in capital (ERP Operating Limited Partnership) and (vi) notes to consolidated financial statements. Attached herein.