GANNETT CO INC /DE/
Form 4
March 02, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MOON CRAIG

(Last) (First) (Middle)

GANNETT CO., INC., 7950 JONES BRANCH DRIVE

(Street)

MCLEAN, VA 22107

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GANNETT CO INC /DE/ [GCI]

3. Date of Earliest Transaction (Month/Day/Year)
02/28/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Pres./Publisher of USA Today

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securitie (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8) Code	V	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) (A)	(D)	Date Exercisable	Expiration Date	Title	Amour Numbe Shares
Employee Stock Option (right to buy)	$ 61.26	02/28/2007		A		36,000		(1)	02/27/2015	Common Stock	36,(
Phantom Stock	(2)	02/28/2007		A		1,512.812		(3)	(3)	Common Stock	1,512

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MOON CRAIG GANNETT CO., INC. 7950 JONES BRANCH DRIVE MCLEAN, VA 22107			Pres./Publisher of USA Today	

Signatures

/s/ Todd A. Mayman, Attorney-in-Fact	03/02/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option vests in four equal annual installments beginning on February 28, 2008.

(2) Each share of phantom stock is the economic equivalent of one share of Gannett Common Stock.

(3) Each share of phantom stock is payable in cash or stock, at the election of the reporting person, on various dates selected by the reporting person or as otherwise provided in the Issuer's Deferred Compensation Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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ottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;">

Southern California
$
147,784

$
139,108

$
294,883

$
275,002

Northern California
126,550

113,035

249,858

223,443

Seattle Metro
57,087

53,576

113,279

105,649

Other real estate assets
5,345

13,843

11,914

27,646

Total property revenues
$
336,766

$
319,562

$
669,934

$
631,740

Net operating income:

Southern California
$
101,790

$
95,205

$
203,195

$
187,859

Northern California
92,543

81,821

180,206

160,834

Seattle Metro
38,126

35,975

77,059

71,664

Other real estate assets
6,042

10,482

11,696

20,814

Total net operating income
238,501

223,483

472,156

441,171

Management and other fees from affiliates
2,296

2,028

4,532

4,052

Depreciation and amortization
(117,939
)

(109,673
)

(233,442
)

(219,380
)
General and administrative
(10,337
)

(9,698
)

(20,938
)

(18,880
)
Acquisition and investment related costs
(274
)

(267
)

(830
)

(1,095
)
Interest expense
(56,812
)

(55,568
)

(111,395
)

(108,034
)
Total return swap income
2,531

2,814

5,115

5,937

Interest and other income
5,362

9,409

12,126

14,617

Equity income from co-investments
10,308

14,296

21,207

29,364

Gain on sale of real estate and land
—

—

26,174

20,258

Deferred tax expense on gain on sale of real estate and land
—

—

—

(4,279
)

Gain on remeasurement of co-investment
2,159

—

88,641

—

Net income
$
75,795

$
76,824

$
263,346

$
163,731

Total assets for each of the reportable operating segments are summarized as follows as of June 30, 2017 and December 31, 2016 ($ in thousands):

	June 30, 2017	December 31, 2016
Assets:		
Southern California	$4,854,134	$4,924,792
Northern California	4,266,100	3,791,549
Seattle Metro	1,544,364	1,570,340
Other real estate assets	56,459	78,079
Net reportable operating segment - real estate assets	10,721,057	10,364,760
Real estate under development	263,284	190,505
Co-investments	1,081,084	1,161,275
Real estate held for sale, net	3,015	101,957
Cash and cash equivalents, including restricted cash	199,876	170,302
Marketable securities	151,995	139,189
Notes and other receivables	54,660	40,970
Prepaid expenses and other assets	49,980	48,450
Total assets	$12,524,951	$12,217,408

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2017 and 2016
(Unaudited)

(8) Net Income Per Common Share and Net Income Per Common Unit

($ in thousands, except share and unit data)

Essex Property Trust, Inc.

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Income	Weighted-average Common Shares	Per Common Share Amount	Income	Weighted-average Common Shares	Per Common Share Amount
Basic:						
Net income available to common stockholders	$70,759	65,729,074	$ 1.08	$72,013	65,451,110	$ 1.10
Effect of Dilutive Securities:						
Stock options	—	90,620		—	124,268	
Diluted:						
Net income available to common stockholders	$70,759	65,819,694	$ 1.08	$72,013	65,575,378	$ 1.10

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Income	Weighted-average Common Shares	Per Common Share Amount	Income	Weighted-average Common Shares	Per Common Share Amount
Basic:						
Net income available to common stockholders	$249,723	65,639,775	$ 3.80	$149,994	65,428,382	$ 2.29
Effect of Dilutive Securities:						
Stock options	—	91,515		—	130,429	
DownREIT units	738	210,728		—	—	
Diluted:						
Net income available to common stockholders	$250,461	65,942,018	$ 3.80	$149,994	65,558,811	$ 2.29

The table above excludes from the calculations of diluted earnings per share weighted average convertible OP units of 2,251,687 and 2,223,928, which include vested Series Z Incentive Units, Series Z-1 Incentive Units, 2014 Long-Term Incentive Plan Units, and 2015 Long-Term Incentive Plan Units for the three months ended June 30, 2017 and 2016, respectively, and 2,251,959 and 2,225,897 for the six months ended June 30, 2017 and 2016, respectively, because they were anti-dilutive. The related income allocated to these convertible OP units aggregated $2.5 million and $2.4 million for the three months ended June 30, 2017 and 2016, respectively, and $8.6 million and $5.2 million for the six months ended June 30, 2017 and 2016, respectively. Additionally, the table excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the DownREIT units for cash and does not consider them to be common stock equivalents.

Stock options of 8,240 and 87,954 for the three months ended June 30, 2017 and 2016, respectively, and 23,619 and 87,954 for the six months ended June 30, 2017 and 2016, respectively, were excluded from the calculation of diluted earnings per share because the assumed proceeds per share of such options plus the average unearned compensation were greater than the average market price of the common stock for the periods ended and, therefore, were anti-dilutive.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
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Essex Portfolio, L.P.

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Income	Weighted-average Common Units	Per Common Unit Amount	Income	Weighted-average Common Units	Per Common Unit Amount
Basic:						
Net income available to common unitholders	$73,181	67,980,761	$ 1.08	$74,463	67,675,038	$ 1.10
Effect of Dilutive Securities:						
Stock options	—	90,620		—	124,268	
Diluted:						
Net income available to common unitholders	$73,181	68,071,381	$ 1.08	$74,463	67,799,306	$ 1.10

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Income	Weighted-average Common Units	Per Common Unit Amount	Income	Weighted-average Common Units	Per Common Unit Amount
Basic:						
Net income available to common unitholders	$258,291	67,891,734	$ 3.80	$155,228	67,654,279	$ 2.29
Effect of Dilutive Securities:						
Stock options	—	91,515		—	130,429	
DownREIT units	738	210,728		—	—	
Diluted:						
Net income available to common unitholders	$259,029	68,193,977	$ 3.80	$155,228	67,784,708	$ 2.29

Stock options of 8,240 and 87,954 for the three months ended June 30, 2017 and 2016, respectively, and 23,619 and 87,954 for the six months ended June 30, 2017 and 2016, respectively, were excluded from the calculation of diluted earnings per unit because the assumed proceeds per unit of these options plus the average unearned compensation were greater than the average market price of the common unit for the periods ended and, therefore, were anti-dilutive. Additionally, the table excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the DownREIT units for cash and does not consider them to be common stock equivalents.

(9) Derivative Instruments and Hedging Activities

As of June 30, 2017, the Company had entered into interest rate swap contracts with an aggregate notional amount of $200.0 million that effectively fixed the interest rate on the $200.0 million unsecured term loan at 2.3%. These derivatives qualify for hedge accounting.

As of June 30, 2017, the Company had interest rate caps, which are not accounted for as hedges, totaling a notional amount of $20.7 million that effectively limit the Company's exposure to interest rate risk by providing a ceiling on the underlying variable interest rate for $20.7 million of the Company's tax exempt variable rate debt.

As of June 30, 2017 and December 31, 2016, the aggregate carrying value of the interest rate swap contracts was an asset of $3.9 million and $4.4 million, respectively, and is included in prepaid expenses and other assets on the condensed consolidated

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
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balance sheets. The aggregate carrying value of the interest rate caps was zero on the condensed consolidated balance sheets as of both June 30, 2017 and December 31, 2016.

Hedge ineffectiveness related to cash flow hedges, which is included in interest expense on the condensed consolidated income statements, net was not significant for both the three and six months ended June 30, 2017 and 2016.

Additionally, the Company has entered into total return swaps that effectively convert $257.3 million of mortgage notes payable to a floating interest rate based on the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") plus a spread. The total return swaps provide fair market value protection on the mortgage notes payable to the counterparties during the initial period of the total return swap until the Company's option to call the mortgage notes at par can be exercised. The Company can currently call all total return swaps with $257.3 million of the outstanding debt at par. These derivatives do not qualify for hedge accounting and had a carrying and fair value of zero at both June 30, 2017 and December 31, 2016. These total return swaps are scheduled to mature between September 2021 and November 2022. Realized gains of $2.5 million and $2.8 million for the three months ended June 30, 2017 and 2016, respectively, and $5.1 million and $5.9 million for the six months ended June 30, 2017 and 2016, respectively, are reported in the condensed consolidated statements of income and comprehensive income as total return swap income.

(10) Commitments and Contingencies

The Company is subject to various lawsuits in the normal course of its business operations. Such lawsuits could, but are not expected to, have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is subject to various federal, state, and local environmental laws. To the extent that an environmental matter arises or is identified in the future that has other than a remote risk of having a material impact on the condensed consolidated financial statements, the Company will disclose the estimated range of possible outcomes associated with it, and, if an outcome is probable, accrue an appropriate liability for that matter. The Company will consider whether any such matter results in an impairment of value on the affected property and, if so, impairment will be recognized.

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

The following discussion and analysis should be read in conjunction with the Company’s Condensed Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with the Company’s 2016 annual report on Form 10-K for the year ended December 31, 2016.

The Company is a self-administered and self-managed REIT that acquires, develops, redevelops, and manages apartment communities in selected residential areas located primarily in the West Coast of the United States. Essex owns all of its interests in its real estate investments, directly or indirectly, through the Operating Partnership. Essex is the sole general partner of the Operating Partnership and, as of June 30, 2017, had an approximately 96.7% general partner interest in the Operating Partnership.

The Company’s investment strategy has two components: constant monitoring of existing markets, and evaluation of new markets to identify areas with the characteristics that underlie rental growth. The Company’s strong financial condition supports its investment strategy by enhancing its ability to quickly shift acquisition, development, redevelopment, and disposition activities to markets that will optimize the performance of the portfolio.

As of June 30, 2017, the Company had ownership interests in 246 stabilized apartment communities, comprising 59,860 apartment homes, excluding the Company’s ownership in preferred equity interest co-investments, and the Company also had ownership interests in one operating commercial building with approximately 106,564 square feet and five active developments. The Company’s apartment communities are predominately located in the following major regions:

Southern California (Los Angeles, Orange, San Diego, and Ventura counties)
Northern California (the San Francisco Bay Area)
Seattle Metro (Seattle metropolitan area)

As of June 30, 2017, the Company’s development pipeline was comprised of two consolidated projects under development, three unconsolidated joint venture projects under development, and various consolidated predevelopment projects aggregating 1,968 apartment homes, with total incurred costs of $0.7 billion, and estimated remaining project costs of $0.6 billion, $0.5 billion of which represents the Company's estimated remaining costs, for total estimated project costs of $1.3 billion.

The Company’s consolidated apartment communities are as follows:

	As of June 30, 2017 Apartment Homes	%	As of June 30, 2016 Apartment Homes	%
Southern California	23,343	47 %	23,949	49 %
Northern California	15,848	32 %	14,865	30 %
Seattle Metro	10,238	21 %	10,239	21 %
Total	49,429	100%	49,053	100%

Co-investments, including Wesco I, LLC ("Wesco I"), Wesco III, LLC ("Wesco III"), Wesco IV, LLC (“Wesco IV”), Canadian Pension Plan Investment Board ("CPPIB" or "CPP"), BEXAEW, LLC (“BEXAEW”), and BEX II, LLC ("BEX II") communities, developments under construction, and preferred equity interest co-investment communities are not included in the table presented above for both periods.

Comparison of the Three Months Ended June 30, 2017 to the Three Months Ended June 30, 2016

The Company’s average financial occupancies for the Company’s stabilized apartment communities or “Same-Property” (stabilized properties consolidated by the Company for the quarters ended June 30, 2017 and 2016) was 96.4% and 96.0% for the three months ended June 30, 2017 and 2016, respectively. Financial occupancy is defined as the percentage resulting from dividing actual rental revenue by total potential rental revenue. Actual rental revenue represents contractual rental revenue pursuant to leases without considering delinquency and concessions. Total potential rental revenue represents the value of all apartment homes, with occupied apartment homes valued at contractual rental rates pursuant to leases and vacant apartment homes valued at estimated market rents. We believe that financial occupancy is a meaningful measure of occupancy because it considers the value of each vacant apartment home at its estimated market rate.

Market rates are determined using the recently signed effective rates on new leases at the property and are used as the starting point in the determination of the market rates of vacant apartment homes. The Company may increase or decrease these rates based on a variety of factors, including overall supply and demand for housing, concentration of new apartment deliveries within the same submarket which can cause periodic disruption due to greater rental concessions to increase leasing velocity, and rental affordability. Financial occupancy may not completely reflect short-term trends in physical occupancy and financial occupancy rates, and the Company's calculation of financial occupancy may not be comparable to financial occupancy disclosed by other REITs.

The Company does not take into account delinquency and concessions to calculate actual rent for occupied apartment homes and market rents for vacant apartment homes. The calculation of financial occupancy compares contractual rates for occupied apartment homes to estimated market rents for unoccupied apartment homes, and thus the calculation compares the gross value of all apartment homes excluding delinquency and concessions. For apartment communities that are development properties in lease-up without stabilized occupancy figures, the Company believes the physical occupancy rate is the appropriate performance metric. While an apartment community is in the lease-up phase, the Company’s primary motivation is to stabilize the property which may entail the use of rent concessions and other incentives, and thus financial occupancy, which is based on contractual revenue, is not considered the best metric to quantify occupancy.

The regional breakdown of the Company's Same-Property portfolio for financial occupancy for the three months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,	
	2017	2016
Southern California	96.2%	95.9%
Northern California	96.7%	96.2%
Seattle Metro	96.2%	95.9%

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The following table provides a breakdown of revenue amounts, including revenues attributable to the Same-Properties:

Property Revenues ($ in thousands)	Number of Apartment Homes	Three Months Ended June 30, 2017	2016	Dollar Change	Percentage Change	
Same-Property Revenues:						
Southern California	21,998	$138,476	$133,341	$5,135	3.9	%
Northern California	13,892	109,100	106,177	2,923	2.8	%
Seattle Metro	10,238	57,086	53,575	3,511	6.6	%
Total Same-Property Revenues	46,128	304,662	293,093	11,569	3.9	%
Non-Same Property Revenues		32,104	26,469	5,635	21.3	%
Total Property Revenues		$336,766	$319,562	$17,204	5.4	%

Same-Property Revenues increased by $11.6 million or 3.9% to $304.7 million in the second quarter of 2017 from $293.1 million in the second quarter of 2016. The increase was primarily attributable to an increase of 3.6% in average rental rates from $2,084 per apartment home in the second quarter of 2016 to $2,160 per apartment home in the second quarter of 2017.

Non-Same Property Revenues increased by $5.6 million or 21.3% to $32.1 million in the second quarter of 2017 from $26.5 million in the second quarter of 2016. The increase was primarily due to revenue generated by the consolidation of Palm Valley in January 2017.

Management and other fees from affiliates increased by $0.3 million or 15.0% to $2.3 million in the second quarter of 2017 from $2.0 million in the second quarter of 2016, primarily due to property management fee revenue from joint venture development communities that went into lease-up from the third quarter of 2016 through the second quarter of 2017.

Property operating expenses, excluding real estate taxes increased $1.9 million or 3.1% to $63.4 million for the second quarter of 2017 compared $61.5 million for to the second quarter of 2016 primarily due an increase of $1.0 million in utilities expense. Same-Property operating expenses, excluding real estate taxes, increased by $0.7 million or 1.3% for the second quarter of 2017 compared to the second quarter of 2016, primarily due to a $1.0 million increase in utilities, partially offset by a decrease of $0.3 million in administrative expenses.

Real estate taxes increased $0.4 million or 1.2% to $34.9 million for the second quarter of 2017 compared to $34.5 million for the second quarter of 2016 due primarily to the consolidation of Palm Valley in January 2017 and increases in tax rates and property valuations. Same-Property real estate taxes increased by $1.2 million or 3.8% to $32.4 million in the second quarter of 2017 compared to $31.2 million in the second quarter of 2016 primarily due to increases in tax rates and property valuations.

Depreciation and amortization expense increased by $8.2 million or 7.5% to $117.9 million for the second quarter of 2017 compared to $109.7 million for the second quarter of 2016, primarily due to the consolidation of Palm Valley in January 2017.

Interest expense increased $1.2 million or 2.2% to $56.8 million for the second quarter of 2017 compared to $55.6 million for the second quarter of 2016, primarily due to the $350.0 million senior unsecured notes due May 1, 2027 issued in April 2017 and the $450.0 million senior unsecured notes due on April 15, 2026 issued in April 2016 which resulted in $7.4 million interest expense for the second quarter of 2017 compared to a $3.5 million for the second quarter of 2016. The increase was partially offset by various debt that was paid off or matured during and after the second quarter of 2016, which resulted in a decrease in interest expense of $3.1 million for the second quarter of 2017.

Total return swap income of $2.5 million in the second quarter of 2017 consists of monthly settlements related to the Company's total return swap contracts that were entered into during 2015 in connection with $257.3 million of fixed rate tax-exempt mortgage notes payable. The decrease of $0.3 million for the second quarter of 2017 compared to the second quarter of 2016 was due to less favorable interest rates.

Interest and other income decreased by $4.0 million or 42.6% to $5.4 million for the second quarter of 2017 compared to $9.4 million for the second quarter of 2016 primarily due to a decrease of $4.0 million in income from insurance reimbursements and legal settlements.

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Equity income from co-investments decreased $4.0 million or 28.0% to $10.3 million for the second quarter of 2017 compared to $14.3 million for the second quarter of 2016 primarily due to the sale of a property by BEXAEW, LLC during the second quarter of 2016, which resulted in a gain of $5.6 million for the Company for that period. This decrease was offset by increases in preferred equity income of approximately $1.8 million and income from early redemption of preferred equity investments of $0.2 million.

Gain on remeasurement of co-investment of $2.2 million for the second quarter of 2017 resulted from a distribution received in the second quarter of 2017 from the previous Palm Valley joint venture related to the period prior to the Company's purchase of its joint venture partner's 50% interest in Palm Valley during the first quarter of 2017. There were no such transactions during the second quarter of 2016.

Comparison of the Six Months Ended June 30, 2017 to the Six Months Ended June 30, 2016

Our average financial occupancies for the Company's stabilized apartment communities or "2017/2016 Same-Property" (stabilized properties consolidated by the Company for the six months ended June 30, 2017 and 2016) was 96.4% and 96.0% for the six months ended June 30, 2017 and 2016, respectively.

The regional breakdown of the Company’s Same-Property portfolio for financial occupancy for the six months ended June 30, 2017 and 2016 is as follows:

	Six Months Ended June 30,	
	2017	2016
Southern California	96.3%	96.0%
Northern California	96.7%	96.1%
Seattle Metro	96.4%	95.8%

The following table provides a breakdown of revenue amounts, including revenues attributable to the Same-Properties:

Property Revenues ($ in thousands)	Number of Apartment Homes	Six Months Ended June 30, 2017	2016	Dollar Change	Percentage Change
Same-Property Revenues:					
Southern California	21,998	$276,448	$264,953	$11,495	4.3 %
Northern California	13,892	217,060	210,342	6,718	3.2 %
Seattle Metro	10,238	113,279	105,648	7,631	7.2 %
Total Same-Property Revenues	46,128	606,787	580,943	25,844	4.4 %
Non-Same Property Revenues		63,147	50,797	12,350	24.3 %
Total Property Revenues		$669,934	$631,740	$38,194	6.0 %

Same-Property Revenues increased by $25.8 million or 4.4% to $606.8 million in the six months ended June 30, 2017 from $580.9 million in the six months ended June 30, 2016. The increase was primarily attributable to an increase of 3.9% in average rental rates from $2,067 per apartment home in the six months ended June 30, 2016 to $2,147 per apartment home in the six months ended June 30, 2017.

Non-Same Property Revenues increased by $12.4 million or 24.3% to $63.1 million in the in the six months ended June 30, 2017 from $50.8 million in the six months ended June 30, 2016. The increase was primarily due to revenue generated by the consolidation of Palm Valley in January 2017.

Management and other fees from affiliates increased by $0.4 million or 9.8% to $4.5 million in the six months ended June 30, 2017 from $4.1 million in the six months ended June 30, 2016, primarily due to property management fee revenue from joint venture development communities that went into lease-up from the third quarter of 2016 through the second quarter of 2017.

Property operating expenses, excluding real estate taxes increased $5.4 million or 4.4% to $127.0 million for the six months ended June 30, 2017 compared to $121.6 million for the six months ended June 30, 2016 primarily due to the consolidation of Palm Valley in January 2017. Same-Property operating expenses, excluding real estate taxes, increased by $3.6 million or 3.1%

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to $116.8 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, primarily due to a $2.0 million increase in utilities and an increase of $0.8 million in maintenance and repairs.

Real estate taxes increased $1.8 million or 2.6% to $70.8 million for the six months ended June 30, 2017 compared to $69.0 million for the six months ended June 30, 2016 due primarily to the consolidation of Palm Valley in January 2017 and increases in tax rates and property valuations. Same-Property real estate taxes increased by $1.4 million or 2.2% to $64.0 million for the six months ended June 30, 2017 compared to $62.6 million for the six months ended June 30, 2016 primarily due to increases in tax rates and property valuations.

Depreciation and amortization expense increased by $14.0 million or 6.4% to $233.4 million for the six months ended June 30, 2017 compared to $219.4 million for the six months ended June 30, 2016, primarily due to the consolidation of Palm Valley in January 2017.

Interest expense increased $3.4 million or 3.1% to $111.4 million for the six months ended June 30, 2017 compared to $108.0 million for the six months ended June 30, 2016, primarily due to the $350.0 million senior unsecured notes due May 1, 2027 issued in April 2017 and the $450.0 million senior unsecured notes due on April 15, 2026 issued in April 2016 which resulted in $11.3 million interest expense for the six months ended June 30, 2017 and $3.5 million for the six months ended June 30, 2016. The increase was partially offset by various debt that was paid off or matured during and after the six months ended June 30, 2016, which resulted in a decrease in interest expense of $4.5 million for the six months ended June 30, 2017.

Total return swap income of $5.1 million for the six months ended June 30, 2017 consists of monthly settlements related to the Company's total return swap contracts that were entered into during 2015 in connection with $257.3 million of fixed rate tax-exempt mortgage notes payable. The decrease of $0.8 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was due to less favorable interest rates.

Interest and other income decreased by $2.5 million or 17.1% to $12.1 million for the six months ended June 30, 2017 compared to $14.6 million for the six months ended June 30, 2016 primarily due to an decrease of $4.0 million in income from insurance reimbursements and legal settlements offset by an increase in other interest income.

Equity income from co-investments decreased $8.2 million or 27.9% to $21.2 million for the six months ended June 30, 2017 compared to $29.4 million for the six months ended June 30, 2016 primarily due to the sale of two properties by BEXAEW, LLC during the six months ended June 30, 2016, which resulted in gains of $13.0 million for the Company during that period. This decrease was offset by increases in preferred equity income of approximately $4.7 million.

Gain on sale of real estate and land increased $5.9 million or 29.1% to $26.2 million for the six months ended June 30, 2017 compared to $20.3 million for the six months ended June 30, 2016 was due primarily to a $26.2 million gain on the sale of Jefferson at Hollywood during the six months ended June 30, 2017 as compared to a $10.7 million gain on the sale of Harvest Park and a $9.6 million gain on the sale of the Company's former headquarters office building during the six months ended June 30, 2016.

Deferred tax expense on gain on sale of real estate and land of $4.3 million for the six months ended June 30, 2016 was recorded due to the sale of Harvest Park, which was owned by our wholly owned taxable REIT subsidiary. There was no current tax expense on the sale of real estate and land for the six months ended June 30, 2016 as the Harvest Park proceeds were used in a like-kind exchange transaction. There were no such transactions during the six months ended June 30, 2017.

Gain on remeasurement of co-investment of $88.6 million for the six months ended June 30, 2017 resulted from the purchase of the Company's joint venture partner's 50% interest in Palm Valley. There were no such transactions during the six months ended June 30, 2016.

Liquidity and Capital Resources

As of June 30, 2017, the Company had $183.9 million of unrestricted cash and cash equivalents and $152.0 million in marketable securities, of which $50.3 million were available for sale. We believe that cash flows generated by our operations, existing cash and cash equivalents, marketable securities balances, availability under existing lines of credit, access to capital markets and the ability to generate cash from the disposition of real estate are sufficient to meet all of our reasonably anticipated cash needs during the next twelve months. The timing, source and amounts of cash flows provided by financing activities and used in investing activities are sensitive to changes in interest rates and other fluctuations in the capital markets environment, which can affect our plans for acquisitions, dispositions, development and redevelopment activities.

As of June 30, 2017, Fitch Ratings ("Fitch"), Moody’s Investor Service ("Moody's"), and Standard and Poor's (“S&P”) credit agencies rate Essex Property Trust, Inc. and Essex Portfolio, L.P. BBB+/Stable, Baa1/Stable, and BBB+/Stable, respectively.

The Company has two unsecured lines of credit aggregating $1.03 billion. The Company has a $1.0 billion unsecured line of credit, and as of June 30, 2017, there were no amounts outstanding on this unsecured line of credit. The underlying interest rate is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.90% as of June 30, 2017. This facility matures in December 2020 with one 18-month extension, exercisable at the Company's option. The Company also has a $25.0 million working capital unsecured line of credit. This facility matures in January 2018. As of June 30, 2017, there were no amounts outstanding on the $25.0 million unsecured line. The underlying interest rate on the $25.0 million line is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.90% as of June 30, 2017.

In March 2017, the Company paid off $300.0 million of 5.500% senior unsecured notes, at maturity.

In April 2017, the Company issued $350.0 million of 10-year 3.625% senior unsecured notes. The interest is paid semi-annually in arrears on May 1 and November 1 of each year commencing on November 1, 2017 until the maturity date of May 1, 2027. The Company used the net proceeds of this offering to repay indebtedness under its unsecured lines of credit and for other general corporate and working capital purposes.

In July 2017, the Company repaid $40.0 million in private placement bonds with a coupon rate of 4.5% and a stated maturity date of September 2017.

The Company has entered into equity distribution agreements with Cantor Fitzgerald & Co, Barclays Capital Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., Capital One Securities, Inc., Citigroup Global Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc., and UBS Securities LLC. Pursuant to its equity distribution program, during the six months ended June 30, 2017, the Company issued 311,873 shares of common stock at an average price of $260.30 per share, for proceeds of $80.6 million, net of fees and commissions. Under this program, the Company may from time to time sell shares of common stock into the existing trading market at current market prices, and the Company anticipates using the net proceeds, which are contributed to the Operating Partnership, to pay down debt, acquire apartment communities, fund the development pipeline and other general corporate purposes. As of July 27, 2017, the Company may sell an additional 4,688,127 shares under the current equity distribution program.

Essex pays quarterly dividends from cash available for distribution. Until it is distributed, cash available for distribution is invested by the Company primarily in investment grade securities held available for sale or is used by the Company to reduce balances outstanding under its line of credit.

Development and Predevelopment Pipeline

The Company defines development projects as new communities that are being constructed, or are newly constructed and are in a phase of lease-up and have not yet reached stabilized operations. As of June 30, 2017, the Company’s development pipeline was comprised of two consolidated projects under development, three unconsolidated joint venture projects under development and various consolidated predevelopment projects, aggregating 1,968 apartment homes, with total incurred costs of $0.7 billion, and estimated remaining project costs of approximately $0.6 billion, $0.5 billion of which represents the Company's estimated remaining costs, for total estimated project costs of $1.3 billion.

The Company expects to fund the development and predevelopment pipeline by using a combination of some or all of the following sources: its working capital, amounts available on its lines of credit, construction loans, net proceeds from public and private equity and debt issuances, and proceeds from the disposition of assets, if any.

Redevelopment Pipeline

The Company defines redevelopment communities as existing properties owned or recently acquired, which have been targeted for additional investment by the Company with the expectation of increased financial returns through property improvement. During redevelopment, apartment homes may not be available for rent and, as a result, may have less than stabilized operations. As of June 30, 2017, the Company had ownership interests in five major redevelopment communities aggregating 1,727 apartment homes with estimated redevelopment costs of $138.2 million, of which approximately $55.8 million remains to be expended. The Company has the ability to cease funding of the redevelopment pipeline as needed.

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Derivative Activity

The Company uses interest rate swaps, interest rate caps, and total return swap contracts to manage certain interest rate risks. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps and total return swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Alternative Capital Sources

The Company utilizes co-investments as an alternative source of capital for acquisitions of both operating and development communities. As of June 30, 2017, the Company had an interest in 1,172 apartment homes of communities actively under development with joint ventures for total estimated costs of $0.7 billion. Total estimated remaining costs total approximately $0.3 billion, of which the Company estimates that its remaining investment in these development joint ventures will be approximately $0.1 billion. In addition, the Company had an interest in 10,431 apartment homes of operating communities with joint ventures for a total book value of $0.7 billion as of June 30, 2017.

Off-Balance Sheet Arrangements

The Company has various unconsolidated interests in certain joint ventures. The Company does not believe that these unconsolidated investments have a materially different impact on its liquidity, cash flows, capital resources, credit or market risk than its consolidated operations. See Note 3, "Co-investments", in the Notes to Condensed Consolidated Financial Statements for carrying values and combined summarized financial information of these unconsolidated investments.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements, in accordance with U.S. GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The Company defines critical accounting policies as those accounting policies that require the Company's management to exercise their most difficult, subjective and complex judgments. The Company's critical accounting policies and estimates relate principally to the following key areas: (i) accounting for business combinations; (ii) consolidation under applicable accounting standards for entities that are not wholly owned; (iii) assessing the carrying values of our real estate properties and investments in and advances to joint ventures and affiliates; and (iv) internal cost capitalization. The Company bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates made by management.

The Company's critical accounting policies and estimates have not changed materially from the information reported in Note 2, “Summary of Critical and Significant Accounting Policies,” in the Company's annual report on Form 10-K for the year ended December 31, 2016.

Forward-Looking Statements

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this quarterly report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, estimates, assumptions, hopes, intentions, beliefs and strategies regarding the future. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, among other things, statements regarding the Company’s expectations as to the timing of completion of current development and redevelopment projects and the stabilization of such projects, expectations as to the total projected costs of development and redevelopment projects, beliefs as to the adequacy of future cash flows to meet anticipated cash needs, statements regarding Company's financing activities, and the use of proceeds from such activities, and other information that is not historical information.

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While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors, which could cause the actual results, performance or achievements of the Company to be materially different from any 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. Factors that might cause such differences include, but are not limited to, that the Company will fail to achieve its business objectives, that the actual completion of development and redevelopment projects will be subject to delays, that the stabilization dates of such projects will be delayed, that the total projected costs of current development and redevelopment projects will exceed expectations, that such development and redevelopment projects will not be completed, that development and redevelopment projects and acquisitions will fail to meet expectations, that estimates of future income from an acquired property may prove to be inaccurate, that future cash flows will be inadequate to meet operating requirements and/or will be insufficient to provide for dividend payments in accordance with REIT requirements, that there may be a downturn in the markets in which the Company's communities are located, that the terms of any refinancing may not be as favorable as the terms of existing indebtedness, as well as those risks, special considerations, and other factors referred to in this quarterly report on Form 10-Q, in the Company's annual report on Form 10-K for the year ended December 31, 2016, and in the Company's other filings with the Securities and Exchange Commission (the “SEC”). All forward-looking statements are made as of the date hereof, and the Company assumes no obligation to update or supplement this information for any reason.

Funds from Operations Attributable to Common Stockholders and Unitholders

Funds from Operations Attributable to Common Stockholders and Unitholders ("FFO") is a financial measure that is commonly used in the REIT industry. The Company presents FFO as a supplemental operating performance measure. FFO is not used by the Company as, nor should it be considered to be, an alternative to net earnings computed under U.S. GAAP as an indicator of the Company’s operating performance or as an alternative to cash from operating activities computed under U.S. GAAP as an indicator of the Company’s ability to fund its cash needs.

FFO is not meant to represent a comprehensive system of financial reporting and does not present, nor does it intend to present, a complete picture of the Company's financial condition and operating performance. The Company believes that net earnings computed under U.S. GAAP is the primary measure of performance and that FFO is only meaningful when it is used in conjunction with net earnings. The Company considers FFO and FFO excluding non-recurring items and acquisition costs (referred to as “Core FFO”) to be useful financial performance measurements of an equity REIT because, together with net income and cash flows, FFO and Core FFO provide investors with additional bases to evaluate operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and ability to pay dividends. Further, the Company believes that its consolidated financial statements, prepared in accordance with U.S. GAAP, provide the most meaningful picture of its financial condition and its operating performance.

In calculating FFO, the Company follows the definition for this measure published by the National Association of REITs (“NAREIT”), which is a REIT trade association. The Company believes that, under the NAREIT FFO definition, the two most significant adjustments made to net income are (i) the exclusion of historical cost depreciation and (ii) the exclusion of gains and losses from the sale of previously depreciated properties. The Company agrees that these two NAREIT adjustments are useful to investors for the following reason:

(a) historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on Funds from Operations “since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves.” Consequently, NAREIT’s definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities.

REITs were created as a legal form of organization in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate.

(b) The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods.

Management believes that it has consistently applied the NAREIT definition of FFO to all periods presented. However, there is judgment involved and other REITs' calculation of FFO may vary from the NAREIT definition for this measure, and thus their disclosure of FFO may not be comparable to the Company's calculation.

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The following table is a reconciliation of net income available to common stockholders to FFO and Core FFO for the three and six months ended June 30, 2017 and 2016 (in thousands except for share and per share data):

Essex Property Trust, Inc.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income available to common stockholders	$70,759	$72,013	$249,723	$149,994
Adjustments:				
Depreciation and amortization	117,939	109,673	233,442	219,380
Gains not included in Funds from Operations attributable to common stockholders and unitholders	(2,159)	(5,611)	(114,815)	(33,304)
Deferred tax expense on sale of real estate and land - taxable REIT subsidiary activity	—	—	—	4,279
Depreciation add back from unconsolidated co-investments	13,627	12,457	26,481	24,480
Noncontrolling interest related to Operating Partnership units	2,422	2,450	8,568	5,234
Depreciation attributable to third party ownership and other	(26)	(4)	(51)	2
Funds from Operations attributable to common stockholders and unitholders	$202,562	$190,978	$403,348	$370,065
Funds from Operations attributable to common stockholders and unitholders per share - diluted	$2.97	$2.81	$5.93	$5.45
Non-core items:				
Acquisition and investment related costs	274	267	830	1,095
Gain on sale of marketable securities and other investments	(13)	(1,103)	(1,618)	(1,843)
Interest rate hedge ineffectiveness (1)	(14)	—	(20)	—
Income from early redemption of preferred equity investments	(248)	—	(248)	—
Excess of redemption value of preferred stock over carrying value	—	—	—	2,541
Insurance reimbursements and legal settlements	—	(4,010)	(25)	(4,010)
Core Funds from Operations attributable to common stockholders and unitholders	$202,561	$186,132	$402,267	$367,848
Core Funds from Operations attributable to common stockholders and unitholders per share-diluted	$2.97	$2.74	$5.91	$5.42
Weighted average number shares outstanding diluted (2)	68,145,911	67,877,202	68,058,495	67,864,255

(1) Interest rate swaps generally are adjusted to fair value through other comprehensive income (loss). However, because certain of our interest rate swaps do not have a 0% LIBOR floor, while related hedged debt in these cases is subject to a 0% LIBOR floor, the portion of the change in fair value of these interest rate swaps attributable to this mismatch is recorded as a non-cash interest rate hedge ineffectiveness through interest expense.

(2) Assumes conversion of all dilutive outstanding operating partnership interests in the Operating Partnership and excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the DownREIT limited partnership units for cash and does not consider them to be common stock equivalents.

Net Operating Income

NOI and Same-Property NOI are considered by management to be an important supplemental performance measure to earnings from operations included in the Company’s consolidated statements of income. The presentation of Same-Property NOI assists with the presentation of the Company’s operations prior to the allocation of depreciation and any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual communities or groups of communities. In addition, because prospective buyers of real estate have

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different financing and overhead structures, with varying marginal impacts to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. The Company defines Same-Property NOI as Same-Property revenue less Same-Property operating expenses, including property taxes. Please see the reconciliation of earnings from operations to Same-Property NOI, which in the table below is the NOI for stabilized properties consolidated by the Company for the periods presented ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Earnings from operations	$112,247	$105,873	$221,478	$205,868
Adjustments:				
Depreciation and amortization	117,939	109,673	233,442	219,380
Management and other fees from affiliates	(2,296)	(2,028)	(4,532)	(4,052)
General and administrative	10,337	9,698	20,938	18,880
Acquisition and investment related costs	274	267	830	1,095
NOI	238,501	223,483	472,156	441,171
Less: Non-Same Property NOI	(24,147)	(18,783)	(46,132)	(36,018)
Same-Property NOI	$214,354	$204,700	$426,024	$405,153

Item 3: Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Hedging Activities

The Company’s objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company uses interest rate swaps as part of its cash flow hedging strategy. As of June 30, 2017, the Company has entered into six interest rate swap contracts to mitigate the risk of changes in the interest-related cash outflows on $200.0 million of the Company's five-year unsecured debt. As of June 30, 2017, the Company also had $281.2 million of variable rate indebtedness, of which $20.7 million is subject to interest rate cap protection. All of the Company's interest rate swaps are designated as cash flow hedges as of June 30, 2017. The following table summarizes the notional amount, carrying value, and estimated fair value of the Company’s cash flow hedge derivative instruments used to hedge interest rates as of June 30, 2017. The notional amount represents the aggregate amount of a particular security that is currently hedged at one time, but does not represent exposure to credit, interest rates, or market risks. The table also includes a sensitivity analysis to demonstrate the impact on the Company’s derivative instruments from an increase or decrease in 10-year Treasury bill interest rates by 50 basis points, as of June 30, 2017.

(in thousands)	Notional Amount	Maturity Date Range	Carrying and Estimated Fair Value	Estimated Carrying Value 50 Basis Points	-50 Basis Points
Cash flow hedges:					
Interest rate swaps	$200,000	2017-2022	$ 3,871	$7,643	$ 62
Interest rate caps	20,674	2018-2019	—	—	—
Total cash flow hedges	$220,674	2017-2022	$ 3,871	$7,643	$ 62

Additionally, the Company has entered into total return swap contracts, with an aggregate notional amount of $257.3 million that effectively convert $257.3 million of fixed mortgage notes payable to a floating interest rate based on the

SIFMA plus a spread and have a carrying value of zero at June 30, 2017. The Company is exposed to insignificant interest rate risk on these swaps as the related mortgages are callable, at par, by the Company, co-terminus with the termination of any related swap. These derivatives do not qualify for hedge accounting.

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Interest Rate Sensitive Liabilities

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company’s interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows primarily at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps, and treasury locks in order to mitigate its interest rate risk on a related financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes.

The Company’s interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts and weighted average interest rates by year of expected maturity to evaluate the expected cash flows.

For the Years Ended	2017	2018	2019	2020	2021	Thereafter	Total	Fair value
(in thousands, except for interest rates)								
Fixed rate debt	$54,852	256,567	652,522	694,424	552,123	2,810,732	$5,021,220	$5,157,073
Average interest rate	4.6 %	5.7 %	4.3 %	4.8 %	4.3 %	3.6 %	4.0 %	
Variable rate debt (1)	$253	541	592	646	708	628,477 (2) (3)	$631,217	$626,655
Average interest rate	1.9 %	1.9 %	1.9 %	1.9 %	1.9 %	2.0 %	2.0 %	

(1) $200.0 million is subject to interest rate swap agreements.
(2) $20.7 million is subject to interest rate caps.
(3) $257.3 million is subject to total return swaps.

The table incorporates only those exposures that exist as of June 30, 2017. It does not consider those exposures or positions that could arise after that date. As a result, the Company's ultimate realized gain or loss, with respect to interest rate fluctuations and hedging strategies would depend on the exposures that arise prior to settlement.

Item 4: Controls and Procedures

Essex Property Trust, Inc.

As of June 30, 2017, Essex carried out an evaluation, under the supervision and with the participation of management, including Essex’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Essex's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, Essex’s Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2017, Essex's disclosure controls and procedures were effective to ensure that the information required to be disclosed by Essex in the reports that Essex files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that Essex files or submits under the Exchange Act is accumulated and communicated to Essex’s management, including Essex’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in Essex’s internal control over financial reporting, that occurred during the quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, Essex’s internal control over financial reporting.

Essex Portfolio, L.P.

As of June 30, 2017, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including Essex's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2017, the Operating Partnership's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Operating Partnership in the reports that the Operating Partnership files or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that the Operating Partnership files or submits under the Exchange Act is accumulated and communicated to the Operating Partnership’s management, including Essex's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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There were no changes in the Operating Partnership's internal control over financial reporting, that occurred during the quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Part II -- Other Information

Item 1: Legal Proceedings

The Company is subject to various lawsuits in the normal course of its business operations. While the resolution of any such matter cannot be predicted with certainty, the Company is not currently a party to any legal proceedings nor is any legal proceeding currently threatened against the Company that the Company believes would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 1A: Risk Factors

In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors discussed in "Part I. Item A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2016, which could materially affect our financial condition, results of operations or cash flows. There have been no material changes to the Risk Factors disclosed in Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2016, as filed with the SEC and available at www.sec.gov. The risks described in our annual report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our financial condition, results of operations or cash flows.

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

Unregistered Sales of Equity Securities; Essex Portfolio, L.P.

During the three months ended June 30, 2017, the Operating Partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the three months ended June 30, 2017, Essex issued an aggregate of 419,240 shares of its common stock upon the exercise of stock options, vesting of restricted stock awards, exchange of OP Units by limited partners into shares of common stock, and the issuances of common stock into the public market pursuant to its equity distribution program. Essex contributed the proceeds of $96.9 million from the option exercises and issuances of common stock pursuant to its equity distribution agreements during the three months ended June 30, 2017 to the Operating Partnership in exchange for an aggregate of 416,996 OP Units, as required by the Operating Partnership's partnership agreement. Furthermore, Essex issued 2,244 shares of its common stock in connection with the vesting of restricted stock awards and the exchange of OP Units by limited partners, in each case, for no cash consideration. For each such share of common stock issued by Essex, the Operating Partnership issued OP Units to Essex, as required by the partnership agreement, for an aggregate of 2,244 units issued by the Operating Partnership during the three months ended June 30, 2017.

Item 5: Other Information

None.

Item 6: Exhibits

A. Exhibits

4.1	Indenture, dated as of April 10, 2017, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 3.625% Senior Notes due 2027 and the guarantee thereof, attached as Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed April 10, 2017, and incorporated herein by reference.
12.1	Ratio of Earnings to Fixed Charges.
31.1	Certification of Michael J. Schall, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Angela L. Kleiman, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4	Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Michael J. Schall, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Angela L. Kleiman, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4	Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

ESSEX PROPERTY TRUST, INC.
(Registrant)

Date: July 31, 2017

By: /S/ ANGELA L. KLEIMAN

Angela L. Kleiman
Executive Vice President and Chief Financial Officer
(Authorized Officer, Principal Financial Officer)

Date: July 31, 2017

By: /S/ JOHN FARIAS

John Farias
Group Vice President and Chief Accounting Officer

ESSEX PORTFOLIO, L.P.
By Essex Property Trust, Inc., its general partner
(Registrant)

Date: July 31, 2017

By: /S/ ANGELA L. KLEIMAN

Angela L. Kleiman
Executive Vice President and Chief Financial Officer
(Authorized Officer, Principal Financial Officer)

Date: July 31, 2017

By: /S/ JOHN FARIAS

John Farias
Group Vice President and Chief Accounting Officer