

EQUITY RESIDENTIAL
Form 10-Q
November 01, 2017
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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 September 30, 2017

OR

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

For the transition period from to

Commission File Number: 1-12252 (Equity Residential)

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

EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Maryland (Equity Residential)

Illinois (ERP Operating Limited Partnership)

(State or other jurisdiction of incorporation or organization)

Two North Riverside Plaza, Chicago, Illinois 60606

(Address of principal executive offices) (Zip Code)

13-3675988 (Equity Residential)

36-3894853 (ERP Operating Limited Partnership)

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

(312) 474-1300

(Registrant's telephone number, including area code)

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.

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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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Equity Residential:

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small reporting company
Emerging growth company		

ERP Operating Limited Partnership:

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small reporting company
Emerging growth company		

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

Equity Residential ERP Operating Limited Partnership

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Equity Residential Yes No ERP Operating Limited Partnership Yes No

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The number of EQR Common Shares of Beneficial Interest, \$0.01 par value, outstanding on October 27, 2017 was 367,484,786.

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EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended September 30, 2017 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 September 30, 2017 owned an approximate 96.4% ownership interest in, ERPOP. The remaining 3.6% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of EQR consists of the same members as the management of ERPOP.

The Company is structured as an umbrella partnership REIT (“UPREIT”) and EQR contributes all net proceeds from its various equity offerings to ERPOP. In return for those contributions, EQR receives a number of OP Units (see definition below) in ERPOP equal to the number of Common Shares it has issued in the equity offering. The Company may acquire properties in transactions that include the issuance of OP Units as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. This is one of the reasons why the Company is structured in the manner shown above. Based on the terms of ERPOP's partnership agreement, OP Units can be exchanged with Common Shares on a one-for-one basis because the Company maintains a one-for-one relationship between the OP Units of ERPOP issued to EQR and the outstanding Common Shares.

The Company believes that combining the reports on Form 10-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.

The Company believes it is important to understand the few differences between EQR and ERPOP in the context of how EQR and ERPOP operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR's primary function is acting as the general partner of ERPOP. EQR also issues equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, 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

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equity offerings by EQR, which are contributed to the capital of ERPOP in exchange for additional partnership interests in ERPOP (“OP Units”) (on a one-for-one Common Share per OP Unit basis) or additional preference units in ERPOP (on a one-for-one preferred share per preference unit basis), the Operating Partnership generates all remaining capital required by the Company's business. These sources include the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its revolving credit facility and/or commercial paper program, the issuance of secured and unsecured debt and equity securities and proceeds received from disposition of certain properties and joint venture interests.

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

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

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

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EQUITY RESIDENTIAL

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share amounts)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Investment in real estate		
Land	\$ 5,985,004	\$ 5,899,862
Depreciable property	19,571,402	18,730,579
Projects under development	293,064	637,168
Land held for development	99,073	118,816
Investment in real estate	25,948,543	25,386,425
Accumulated depreciation	(5,849,110)	(5,360,389)
Investment in real estate, net	20,099,433	20,026,036
Cash and cash equivalents	46,565	77,207
Investments in unconsolidated entities	59,029	60,141
Deposits – restricted	36,639	76,946
Escrow deposits – mortgage	10,972	64,935
Other assets	445,195	398,883
Total assets	\$ 20,697,833	\$ 20,704,148
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 3,619,180	\$ 4,119,181
Notes, net	5,143,248	4,848,079
Line of credit and commercial paper	229,844	19,998
Accounts payable and accrued expenses	167,984	147,482
Accrued interest payable	72,811	60,946
Other liabilities	332,650	350,466
Security deposits	65,230	62,624
Distributions payable	192,569	192,296
Total liabilities	9,823,516	9,801,072
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	380,541	442,092
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares	37,280	37,280

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authorized; 745,600 shares issued and outstanding as of September 30, 2017 and

December 31, 2016

Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares

authorized; 367,462,480 shares issued and outstanding as of September 30, 2017
and

365,870,924 shares issued and outstanding as of December 31, 2016	3,675	3,659
Paid in capital	8,848,739	8,758,422
Retained earnings	1,464,249	1,543,626
Accumulated other comprehensive (loss)	(94,674)	(113,909)
Total shareholders' equity	10,259,269	10,229,078
Noncontrolling Interests:		
Operating Partnership	228,332	221,297
Partially Owned Properties	6,175	10,609
Total Noncontrolling Interests	234,507	231,906
Total equity	10,493,776	10,460,984
Total liabilities and equity	\$ 20,697,833	\$ 20,704,148
See accompanying notes		

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per share data)

(Unaudited)

	Nine Months Ended		Quarter Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
REVENUES				
Rental income	\$1,840,170	\$1,816,960	\$623,951	\$605,856
Fee and asset management	532	3,351	171	218
Total revenues	1,840,702	1,820,311	624,122	606,074
EXPENSES				
Property and maintenance	306,645	309,688	104,721	104,216
Real estate taxes and insurance	253,318	238,954	84,087	81,343
Property management	64,702	64,003	20,861	19,517
General and administrative	40,366	47,408	12,567	12,395
Depreciation	542,964	528,242	184,100	179,230
Total expenses	1,207,995	1,188,295	406,336	396,701
Operating income	632,707	632,016	217,786	209,373
Interest and other income	5,708	65,092	3,945	5,509
Other expenses	(3,160)	(14,480)	(1,028)	(10,420)
Interest:				
Expense incurred, net	(288,579)	(386,316)	(91,145)	(86,352)
Amortization of deferred financing costs	(6,447)	(10,000)	(2,064)	(2,261)
Income before income and other taxes, (loss) income from				
investments in unconsolidated entities, net gain on sales of real				
estate properties and land parcels and discontinued operations	340,229	286,312	127,494	115,849
Income and other tax (expense) benefit	(710)	(1,189)	(228)	(426)
(Loss) income from investments in unconsolidated entities	(2,153)	5,846	(398)	7,750
Net gain on sales of real estate properties	141,761	3,870,871	17,328	90,036
Net gain on sales of land parcels	19,170	15,759	—	4,037
Income from continuing operations	498,297	4,177,599	144,196	217,246
Discontinued operations, net	—	124	—	246
Net income	498,297	4,177,723	144,196	217,492
Net (income) attributable to Noncontrolling Interests:				
Operating Partnership	(17,931)	(160,442)	(5,166)	(8,353)
Partially Owned Properties	(2,354)	(2,368)	(801)	(823)

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Net income attributable to controlling interests	478,012	4,014,913	138,229	208,316
Preferred distributions	(2,318)	(2,318)	(772)	(773)
Net income available to Common Shares	\$475,694	\$4,012,595	\$137,457	\$207,543
Earnings per share – basic:				
Income from continuing operations available to Common Shares	\$1.30	\$11.00	\$0.37	\$0.57
Net income available to Common Shares	\$1.30	\$11.00	\$0.37	\$0.57
Weighted average Common Shares outstanding	366,809	364,917	366,996	365,109
Earnings per share – diluted:				
Income from continuing operations available to Common Shares	\$1.29	\$10.92	\$0.37	\$0.56
Net income available to Common Shares	\$1.29	\$10.92	\$0.37	\$0.56
Weighted average Common Shares outstanding	382,640	382,284	382,945	382,373
Distributions declared per Common Share outstanding	\$1.51125	\$12.51125	\$0.50375	\$3.50375

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)

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2017	2016	2017	2016
Comprehensive income				
Net income	\$498,297	\$4,177,723	\$144,196	\$217,492
Other comprehensive income (loss):				
Other comprehensive income (loss) – derivative instruments:				
Unrealized holding gains (losses) arising during the period	5,216	(4,240)	1,709	227
Losses reclassified into earnings from other comprehensive				
income	14,019	37,262	4,768	4,340
Other comprehensive income (loss) – foreign currency:				
Currency translation adjustments arising during the period	—	264	—	214
Other comprehensive income	19,235	33,286	6,477	4,781
Comprehensive income	517,532	4,211,009	150,673	222,273
Comprehensive (income) attributable to Noncontrolling Interests	(20,983)	(164,096)	(6,201)	(9,362)
Comprehensive income attributable to controlling interests	\$496,549	\$4,046,913	\$144,472	\$212,911

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$498,297	\$4,177,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	542,964	528,242
Amortization of deferred financing costs	6,447	10,000
Amortization of above/below market lease intangibles	2,729	2,566
Amortization of discounts and premiums on debt	4,939	(18,328)
Amortization of deferred settlements on derivative instruments	14,010	37,187
Write-off of pursuit costs	2,329	3,379
Loss (income) from investments in unconsolidated entities	2,153	(5,846)
Distributions from unconsolidated entities – return on capital	2,031	2,165
Net (gain) on sales of investment securities and other investments	—	(58,416)
Net (gain) on sales of real estate properties	(141,761)	(3,870,871)
Net (gain) on sales of land parcels	(19,170)	(15,759)
Net (gain) on sales of discontinued operations	—	(43)
Compensation paid with Company Common Shares	19,999	25,540
Changes in assets and liabilities:		
Decrease in deposits – restricted	788	9,992
Decrease in mortgage deposits	1,447	222
(Increase) decrease in other assets	(23,024)	4,248
Increase in accounts payable and accrued expenses	62,635	41,371
Increase (decrease) in accrued interest payable	11,865	(15,780)
(Decrease) in other liabilities	(28,250)	(24,749)
Increase (decrease) in security deposits	2,606	(13,522)
Net cash provided by operating activities	963,034	819,321
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(466,395)	(205,881)
Investment in real estate – development/other	(227,187)	(454,502)
Capital expenditures to real estate	(143,258)	(124,551)
Non-real estate capital additions	(776)	(4,467)
Interest capitalized for real estate under development	(23,164)	(41,658)
Proceeds from disposition of real estate, net	350,000	6,584,126
Investments in unconsolidated entities	(5,324)	(3,826)
Distributions from unconsolidated entities – return of capital	329	13,798

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Proceeds from sale of investment securities and other investments	—	72,815
Decrease (increase) in deposits on real estate acquisitions and investments, net	39,519	(83,668)
(Increase) in mortgage deposits	(4,541)	(21)
Net cash (used for) provided by investing activities	(480,797)	5,752,165

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	\$(6,272)	\$(507)
Mortgage deposits	57,057	(6,249)
Mortgage notes payable, net:		
Lump sum payoffs	(493,420)	(565,084)
Scheduled principal repayments	(8,771)	(6,644)
Notes, net:		
Proceeds	692,466	—
Lump sum payoffs	(394,077)	(1,500,000)
Line of credit and commercial paper:		
Line of credit proceeds	1,845,000	246,000
Line of credit repayments	(1,845,000)	(246,000)
Commercial paper proceeds	3,888,675	1,324,784
Commercial paper repayments	(3,681,750)	(1,712,472)
Proceeds from settlement of derivative instruments	1,296	—
Proceeds from Employee Share Purchase Plan (ESPP)	2,963	2,778
Proceeds from exercise of options	12,967	26,939
Payment of offering costs	(36)	(304)
Other financing activities, net	(40)	(33)
Contributions – Noncontrolling Interests – Partially Owned Properties	125	—
Contributions – Noncontrolling Interests – Operating Partnership	—	1
Distributions:		
Common Shares	(554,267)	(3,490,838)
Preferred Shares	(2,318)	(2,318)
Noncontrolling Interests – Operating Partnership	(20,604)	(137,641)
Noncontrolling Interests – Partially Owned Properties	(6,873)	(28,588)
Net cash (used for) financing activities	(512,879)	(6,096,176)
Net (decrease) increase in cash and cash equivalents	(30,642)	475,310
Cash and cash equivalents, beginning of period	77,207	42,276
Cash and cash equivalents, end of period	\$46,565	\$517,586

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$257,805	\$383,374
Net cash paid for income and other taxes	\$964	\$1,333
Real estate acquisitions/dispositions/other:		
Mortgage loans assumed	\$—	\$43,400
Amortization of deferred financing costs:		
Other assets	\$1,810	\$2,291
Mortgage notes payable, net	\$1,943	\$3,320
Notes, net	\$2,694	\$4,389
Amortization of discounts and premiums on debt:		
Mortgage notes payable, net	\$247	\$(21,318)
Notes, net	\$1,771	\$2,578
Line of credit and commercial paper	\$2,921	\$412
Amortization of deferred settlements on derivative instruments:		
Other liabilities	\$(9)	\$(75)
Accumulated other comprehensive income	\$14,019	\$37,262
Write-off of pursuit costs:		
Investment in real estate, net	\$2,292	\$2,876
Other assets	\$17	\$399
Accounts payable and accrued expenses	\$20	\$104
Loss (income) from investments in unconsolidated entities:		
Investments in unconsolidated entities	\$1,076	\$(6,999)
Other liabilities	\$1,077	\$1,153
Realized/unrealized (gain) loss on derivative instruments:		
Other assets	\$(3,803)	\$(4,563)
Notes, net	\$(1,413)	\$4,563
Other liabilities	\$—	\$4,240
Accumulated other comprehensive income	\$5,216	\$(4,240)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	\$(2,324)	\$(1,726)
Other liabilities	\$(3,000)	\$(2,100)
Distributions from unconsolidated entities - return of capital:		
Investments in unconsolidated entities	\$329	\$14,014
Other assets	\$—	\$(216)

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Debt financing costs:		
Mortgage notes payable, net	\$—	\$(507)
Notes, net	\$(6,272)	\$—
Other:		
Foreign currency translation adjustments	\$—	\$(264)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2017
SHAREHOLDERS' EQUITY	
PREFERRED SHARES	
Balance, beginning of year	\$ 37,280
Balance, end of period	\$ 37,280
COMMON SHARES, \$0.01 PAR VALUE	
Balance, beginning of year	\$ 3,659
Conversion of OP Units into Common Shares	11
Exercise of share options	3
Employee Share Purchase Plan (ESPP)	1
Share-based employee compensation expense:	
Restricted shares	1
Balance, end of period	\$ 3,675
PAID IN CAPITAL	
Balance, beginning of year	\$ 8,758,422
Common Share Issuance:	
Conversion of OP Units into Common Shares	14,706
Exercise of share options	12,964
Employee Share Purchase Plan (ESPP)	2,962
Share-based employee compensation expense:	
Restricted shares	7,488
Share options	6,384
ESPP discount	586
Offering costs	(36)
Supplemental Executive Retirement Plan (SERP)	(594)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	29,551
Adjustment for Noncontrolling Interests ownership in Operating Partnership	16,306
Balance, end of period	\$ 8,848,739
RETAINED EARNINGS	
Balance, beginning of year	\$ 1,543,626
Net income attributable to controlling interests	478,012
Common Share distributions	(555,071)
Preferred Share distributions	(2,318)
Balance, end of period	\$ 1,464,249

ACCUMULATED OTHER COMPREHENSIVE (LOSS)

Balance, beginning of year	\$ (113,909)
Accumulated other comprehensive income – derivative instruments:	
Unrealized holding gains arising during the period	5,216
Losses reclassified into earnings from other comprehensive income	14,019
Balance, end of period	\$ (94,674)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2017
NONCONTROLLING INTERESTS	
OPERATING PARTNERSHIP	
Balance, beginning of year	\$ 221,297
Conversion of OP Units held by Noncontrolling Interests into OP Units held by	
General Partner	(14,717)
Equity compensation associated with Noncontrolling Interests	8,200
Net income attributable to Noncontrolling Interests	17,931
Distributions to Noncontrolling Interests	(20,073)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	32,000
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(16,306)
Balance, end of period	\$ 228,332
PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	\$ 10,609
Net income attributable to Noncontrolling Interests	2,354
Contributions by Noncontrolling Interests	125
Distributions to Noncontrolling Interests	(6,913)
Balance, end of period	\$ 6,175

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Investment in real estate		
Land	\$ 5,985,004	\$ 5,899,862
Depreciable property	19,571,402	18,730,579
Projects under development	293,064	637,168
Land held for development	99,073	118,816
Investment in real estate	25,948,543	25,386,425
Accumulated depreciation	(5,849,110)	(5,360,389)
Investment in real estate, net	20,099,433	20,026,036
Cash and cash equivalents	46,565	77,207
Investments in unconsolidated entities	59,029	60,141
Deposits – restricted	36,639	76,946
Escrow deposits – mortgage	10,972	64,935
Other assets	445,195	398,883
Total assets	\$ 20,697,833	\$ 20,704,148
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net	\$ 3,619,180	\$ 4,119,181
Notes, net	5,143,248	4,848,079
Line of credit and commercial paper	229,844	19,998
Accounts payable and accrued expenses	167,984	147,482
Accrued interest payable	72,811	60,946
Other liabilities	332,650	350,466
Security deposits	65,230	62,624
Distributions payable	192,569	192,296
Total liabilities	9,823,516	9,801,072
Commitments and contingencies		
Redeemable Limited Partners	380,541	442,092
Capital:		
Partners' Capital:		
Preference Units	37,280	37,280
General Partner	10,316,663	10,305,707

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Limited Partners	228,332	221,297
Accumulated other comprehensive (loss)	(94,674)	(113,909)
Total partners' capital	10,487,601	10,450,375
Noncontrolling Interests – Partially Owned Properties	6,175	10,609
Total capital	10,493,776	10,460,984
Total liabilities and capital	\$ 20,697,833	\$ 20,704,148

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per Unit data)

(Unaudited)

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2017	2016	2017	2016
REVENUES				
Rental income	\$1,840,170	\$1,816,960	\$623,951	\$605,856
Fee and asset management	532	3,351	171	218
Total revenues	1,840,702	1,820,311	624,122	606,074
EXPENSES				
Property and maintenance	306,645	309,688	104,721	104,216
Real estate taxes and insurance	253,318	238,954	84,087	81,343
Property management	64,702	64,003	20,861	19,517
General and administrative	40,366	47,408	12,567	12,395
Depreciation	542,964	528,242	184,100	179,230
Total expenses	1,207,995	1,188,295	406,336	396,701
Operating income	632,707	632,016	217,786	209,373
Interest and other income	5,708	65,092	3,945	5,509
Other expenses	(3,160)	(14,480)	(1,028)	(10,420)
Interest:				
Expense incurred, net	(288,579)	(386,316)	(91,145)	(86,352)
Amortization of deferred financing costs	(6,447)	(10,000)	(2,064)	(2,261)
Income before income and other taxes, (loss) income from				
investments in unconsolidated entities, net gain on sales of real				
estate properties and land parcels and discontinued operations	340,229	286,312	127,494	115,849
Income and other tax (expense) benefit	(710)	(1,189)	(228)	(426)
(Loss) income from investments in unconsolidated entities	(2,153)	5,846	(398)	7,750
Net gain on sales of real estate properties	141,761	3,870,871	17,328	90,036
Net gain on sales of land parcels	19,170	15,759	—	4,037
Income from continuing operations	498,297	4,177,599	144,196	217,246
Discontinued operations, net	—	124	—	246
Net income	498,297	4,177,723	144,196	217,492
Net (income) attributable to Noncontrolling Interests – Partially Owned	(2,354)	(2,368)	(801)	(823)

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Properties				
Net income attributable to controlling interests	\$495,943	\$4,175,355	\$143,395	\$216,669
ALLOCATION OF NET INCOME:				
Preference Units	\$2,318	\$2,318	\$772	\$773
General Partner	\$475,694	\$4,012,595	\$137,457	\$207,543
Limited Partners	17,931	160,442	5,166	8,353
Net income available to Units	\$493,625	\$4,173,037	\$142,623	\$215,896
Earnings per Unit – basic:				
Income from continuing operations available to Units	\$1.30	\$11.00	\$0.37	\$0.57
Net income available to Units	\$1.30	\$11.00	\$0.37	\$0.57
Weighted average Units outstanding	379,716	378,745	379,906	379,008
Earnings per Unit – diluted:				
Income from continuing operations available to Units	\$1.29	\$10.92	\$0.37	\$0.56
Net income available to Units	\$1.29	\$10.92	\$0.37	\$0.56
Weighted average Units outstanding	382,640	382,284	382,945	382,373
Distributions declared per Unit outstanding	\$1.51125	\$12.51125	\$0.50375	\$3.50375
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)

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2017	2016	2017	2016
Comprehensive income				
Net income	\$498,297	\$4,177,723	\$144,196	\$217,492
Other comprehensive income (loss):				
Other comprehensive income (loss) – derivative instruments:				
Unrealized holding gains (losses) arising during the period	5,216	(4,240)	1,709	227
Losses reclassified into earnings from other comprehensive				
income	14,019	37,262	4,768	4,340
Other comprehensive income (loss) – foreign currency:				
Currency translation adjustments arising during the period	—	264	—	214
Other comprehensive income	19,235	33,286	6,477	4,781
Comprehensive income	517,532	4,211,009	150,673	222,273
Comprehensive (income) attributable to Noncontrolling Interests –				
Partially Owned Properties	(2,354)	(2,368)	(801)	(823)
Comprehensive income attributable to controlling interests	\$515,178	\$4,208,641	\$149,872	\$221,450

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$498,297	\$4,177,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	542,964	528,242
Amortization of deferred financing costs	6,447	10,000
Amortization of above/below market lease intangibles	2,729	2,566
Amortization of discounts and premiums on debt	4,939	(18,328)
Amortization of deferred settlements on derivative instruments	14,010	37,187
Write-off of pursuit costs	2,329	3,379
Loss (income) from investments in unconsolidated entities	2,153	(5,846)
Distributions from unconsolidated entities – return on capital	2,031	2,165
Net (gain) on sales of investment securities and other investments	—	(58,416)
Net (gain) on sales of real estate properties	(141,761)	(3,870,871)
Net (gain) on sales of land parcels	(19,170)	(15,759)
Net (gain) on sales of discontinued operations	—	(43)
Compensation paid with Company Common Shares	19,999	25,540
Changes in assets and liabilities:		
Decrease in deposits – restricted	788	9,992
Decrease in mortgage deposits	1,447	222
(Increase) decrease in other assets	(23,024)	4,248
Increase in accounts payable and accrued expenses	62,635	41,371
Increase (decrease) in accrued interest payable	11,865	(15,780)
(Decrease) in other liabilities	(28,250)	(24,749)
Increase (decrease) in security deposits	2,606	(13,522)
Net cash provided by operating activities	963,034	819,321
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(466,395)	(205,881)
Investment in real estate – development/other	(227,187)	(454,502)
Capital expenditures to real estate	(143,258)	(124,551)
Non-real estate capital additions	(776)	(4,467)
Interest capitalized for real estate under development	(23,164)	(41,658)
Proceeds from disposition of real estate, net	350,000	6,584,126
Investments in unconsolidated entities	(5,324)	(3,826)
Distributions from unconsolidated entities – return of capital	329	13,798

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Proceeds from sale of investment securities and other investments	—	72,815
Decrease (increase) in deposits on real estate acquisitions and investments, net	39,519	(83,668)
(Increase) in mortgage deposits	(4,541)	(21)
Net cash (used for) provided by investing activities	(480,797)	5,752,165

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	\$(6,272)	\$(507)
Mortgage deposits	57,057	(6,249)
Mortgage notes payable, net:		
Lump sum payoffs	(493,420)	(565,084)
Scheduled principal repayments	(8,771)	(6,644)
Notes, net:		
Proceeds	692,466	—
Lump sum payoffs	(394,077)	(1,500,000)
Line of credit and commercial paper:		
Line of credit proceeds	1,845,000	246,000
Line of credit repayments	(1,845,000)	(246,000)
Commercial paper proceeds	3,888,675	1,324,784
Commercial paper repayments	(3,681,750)	(1,712,472)
Proceeds from settlement of derivative instruments	1,296	—
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	2,963	2,778
Proceeds from exercise of EQR options	12,967	26,939
Payment of offering costs	(36)	(304)
Other financing activities, net	(40)	(33)
Contributions – Noncontrolling Interests – Partially Owned Properties	125	—
Contributions – Limited Partners	—	1
Distributions:		
OP Units – General Partner	(554,267)	(3,490,838)
Preference Units	(2,318)	(2,318)
OP Units – Limited Partners	(20,604)	(137,641)
Noncontrolling Interests – Partially Owned Properties	(6,873)	(28,588)
Net cash (used for) financing activities	(512,879)	(6,096,176)
Net (decrease) increase in cash and cash equivalents	(30,642)	475,310
Cash and cash equivalents, beginning of period	77,207	42,276
Cash and cash equivalents, end of period	\$46,565	\$517,586

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$257,805	\$383,374
Net cash paid for income and other taxes	\$964	\$1,333
Real estate acquisitions/dispositions/other:		
Mortgage loans assumed	\$—	\$43,400
Amortization of deferred financing costs:		
Other assets	\$1,810	\$2,291
Mortgage notes payable, net	\$1,943	\$3,320
Notes, net	\$2,694	\$4,389
Amortization of discounts and premiums on debt:		
Mortgage notes payable, net	\$247	\$(21,318)
Notes, net	\$1,771	\$2,578
Line of credit and commercial paper	\$2,921	\$412
Amortization of deferred settlements on derivative instruments:		
Other liabilities	\$(9)	\$(75)
Accumulated other comprehensive income	\$14,019	\$37,262
Write-off of pursuit costs:		
Investment in real estate, net	\$2,292	\$2,876
Other assets	\$17	\$399
Accounts payable and accrued expenses	\$20	\$104
Loss (income) from investments in unconsolidated entities:		
Investments in unconsolidated entities	\$1,076	\$(6,999)
Other liabilities	\$1,077	\$1,153
Realized/unrealized (gain) loss on derivative instruments:		
Other assets	\$(3,803)	\$(4,563)
Notes, net	\$(1,413)	\$4,563
Other liabilities	\$—	\$4,240
Accumulated other comprehensive income	\$5,216	\$(4,240)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	\$(2,324)	\$(1,726)
Other liabilities	\$(3,000)	\$(2,100)
Distributions from unconsolidated entities - return of capital:		
Investments in unconsolidated entities	\$329	\$14,014
Other assets	\$—	\$(216)

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Debt financing costs:		
Mortgage notes payable, net	\$—	\$(507)
Notes, net	\$(6,272)	\$—
Other:		
Foreign currency translation adjustments	\$—	\$(264)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2017
PARTNERS' CAPITAL	
PREFERENCE UNITS	
Balance, beginning of year	\$ 37,280
Balance, end of period	\$ 37,280
GENERAL PARTNER	
Balance, beginning of year	\$ 10,305,707
OP Unit Issuance:	
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	14,717
Exercise of EQR share options	12,967
EQR's Employee Share Purchase Plan (ESPP)	2,963
Share-based employee compensation expense:	
EQR restricted shares	7,489
EQR share options	6,384
EQR ESPP discount	586
Net income available to Units – General Partner	475,694
OP Units – General Partner distributions	(555,071)
Offering costs	(36)
Supplemental Executive Retirement Plan (SERP)	(594)
Change in market value of Redeemable Limited Partners	29,551
Adjustment for Limited Partners ownership in Operating Partnership	16,306
Balance, end of period	\$ 10,316,663
LIMITED PARTNERS	
Balance, beginning of year	\$ 221,297
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(14,717)
Equity compensation associated with Units – Limited Partners	8,200
Net income available to Units – Limited Partners	17,931
Units – Limited Partners distributions	(20,073)
Change in carrying value of Redeemable Limited Partners	32,000
Adjustment for Limited Partners ownership in Operating Partnership	(16,306)
Balance, end of period	\$ 228,332
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	\$ (113,909)
Accumulated other comprehensive income – derivative instruments:	

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Unrealized holding gains arising during the period	5,216
Losses reclassified into earnings from other comprehensive income	14,019
Balance, end of period	\$ (94,674)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2017
NONCONTROLLING INTERESTS	
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	\$ 10,609
Net income attributable to Noncontrolling Interests	2,354
Contributions by Noncontrolling Interests	125
Distributions to Noncontrolling Interests	(6,913)
Balance, end of period	\$ 6,175

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 rental apartment properties in urban and high-density suburban coastal gateway 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 September 30, 2017 owned an approximate 96.4% ownership interest in, ERPOP. All of the Company’s property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues public equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

As of September 30, 2017, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 305 properties located in 10 states and the District of Columbia consisting of 78,302 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	283	73,289
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	17	3,215
Partially Owned Properties – Unconsolidated	2	945
	305	78,302

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 nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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, 2016 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, 2016.

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 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 were 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 September 30, 2017, the Company has elected REIT status for its primary TRS upon filing the 2016 tax return in the third quarter of 2017, with the election retroactive to January 1, 2016. As a result, the Company wrote-off its deferred tax assets, which were fully reserved, as of September 30, 2017.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (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 revenue. 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 may be applied retrospectively to each prior period presented or prospectively with the cumulative effect, if any, recognized as of the date of adoption. The Company anticipates selecting the modified retrospective transition method with a cumulative effect recognized as of the date of adoption and will adopt the new standard effective January 1, 2018, when effective. The Company is continuing to evaluate the standard; however, we do not expect its adoption to have a significant impact on the consolidated financial statements, as approximately 95% of total revenues consist of rental income from leasing arrangements, which is specifically excluded from the standard. In addition, the Company's fee and asset management activities are immaterial now that it sold its interest in Joint Base Lewis McChord in 2016 and given the nature of its disposition transactions, there should be no changes in accounting under the new standard.

In January 2016, the FASB issued a new standard which requires companies to measure all equity securities with readily determinable fair values at fair value on the balance sheet, with changes in fair value recognized in net income. The new standard will be effective for the Company beginning on January 1, 2018. The Company does not

expect that this will have a material effect on its consolidated results of operations or financial position.

In February 2016, the FASB issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). The new standard requires the following:

Lessors – Leases will be accounted for using an approach that is substantially equivalent to existing guidance for operating, sales-type and financing leases, but aligned with the new revenue recognition standard. Lessors will be required to allocate lease payments to separate lease and non-lease components of each lease agreement, with the non-lease components evaluated under the new revenue recognition standard.

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Lessees – Leases will be accounted for using a dual approach, classifying leases as either operating or finance based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized on a straight-line basis over the term of the lease (for operating leases) or based on an effective interest method with a front-loaded expense recognition (for finance leases). A lessee is also required to record a right-of-use asset and a lease liability on its balance sheet for all leases with a term of greater than 12 months regardless of their classification as operating or finance leases. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases.

The new standard will be effective for the Company beginning on January 1, 2019, with early adoption permitted, though the Company currently anticipates adopting the new standard on the effective date. The new standard must be adopted using a modified retrospective method, which requires application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients, which the Company currently anticipates electing. The Company anticipates that its residential and retail/commercial leases where it is the lessor will continue to be accounted for as operating leases under the new standard. Therefore, the Company does not currently anticipate significant changes in the accounting for its lease revenues. The Company is also the lessee under various corporate office and ground leases, which it will be required to recognize right of use assets and related lease liabilities on its consolidated balance sheets upon adoption. The Company currently anticipates that its corporate office leases where it is the lessee will continue to be accounted for as operating leases under the new standard. Based on its anticipated election of the practical expedients, the Company would not be required to reassess the classification of existing ground leases and therefore these leases would continue to be accounted for as operating leases. However, in the event we modify existing ground leases and/or enter into new ground leases after adoption of the new standard, such leases will likely be classified as finance leases. The Company will continue to evaluate the impact of adopting the new leases standard on its consolidated results of operations and financial position.

In June 2016, the FASB issued a new standard which requires companies to adopt a new approach for estimating credit losses on certain types of financial instruments, such as trade and other receivables and loans. The standard will require entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. The new standard will be effective for the Company beginning on January 1, 2020, with early adoption permitted beginning January 1, 2019. The Company is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In August 2016 and October 2016, the FASB issued new standards to clarify how specific transactions are classified and presented on the statement of cash flows. Among other clarifications, the new standards specifically provide guidance for the following items within the statement of cash flows which have required significant judgment in the past:

- Cash payments related to debt prepayments or extinguishment costs are to be classified within financing activities;
- The portion of the cash payment made to settle a zero-coupon bond or a bond with an insignificant cash coupon attributable to accreted interest related to a debt discount is to be classified as a cash outflow within operating activities, and the portion attributable to the principal is to be classified within financing activities;
- Insurance settlement proceeds are to be classified based on the nature of the loss;
- Companies must elect to classify distributions received from equity method investees using either a cumulative earnings approach or a look-through approach and the election must be disclosed; and
- Restricted cash will be included with cash and cash equivalents on the statement of cash flows. Total cash and cash equivalents and restricted cash are to be reconciled to the related line items on the balance sheet.

The new standards must be applied retrospectively to all periods presented in the consolidated financial statements and they will be effective for the Company beginning on January 1, 2018, with early adoption permitted. The Company currently anticipates adopting the new standards in the fourth quarter of 2017 and plans to continue to apply

the look-through approach for distributions received from equity method investees. The Company does not expect overall cash flows to change; however, there will be material changes between cash flow classifications due to the substantial debt prepayment penalties that the Company has incurred in the comparative period.

In February 2017, the FASB issued a new standard which clarifies the accounting treatment for partial sales of nonfinancial assets (i.e. real estate). The standard clarifies that partial sales transactions include contributions of nonfinancial assets to a joint venture or other noncontrolled investee. Companies must recognize a full gain or loss on transfers of nonfinancial assets to equity method investees. The standard requires companies to derecognize distinct nonfinancial assets or distinct in substance nonfinancial assets in partial sale transactions when it does not have a controlling financial interest in the legal entity that holds the asset and transfers control of the asset. Once the distinct nonfinancial asset is transferred, the company is required to measure any non-controlling interest it receives or retains at fair value and

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recognize a full gain or loss on the transaction. If a company transfers ownership interests in a consolidated subsidiary and continues to maintain a controlling financial interest, the company does not derecognize the assets or liabilities, and accounts for the transaction as an equity transaction and no gain or loss is recognized. The new standard will be effective for the Company beginning on January 1, 2018 and early adoption was permitted beginning on January 1, 2017. The Company anticipates adopting the new standard concurrently with the new revenue recognition standard. The new standard may be applied retrospectively to each prior period presented or prospectively with the cumulative effect recognized as of the date of adoption. The Company has not had a partial sale of nonfinancial assets in the current or comparative periods. Therefore, the Company does not currently believe that the adoption of this standard will have a material impact on its consolidated results of operations and financial position.

In August 2017, the FASB issued a final standard which makes changes to the hedge accounting model to enable entities to better portray their risk management activities in the financial statements. The new standard expands an entity's ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk and eases certain documentation and assessment requirements. The new standard also eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of any hedging instrument to be presented in the same income statement line as the hedged instrument. The new standard will be effective for the Company beginning on January 1, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

Recently Adopted Accounting Pronouncements

In February 2015, the FASB issued new consolidation guidance which made changes to both the variable interest model and the voting model. Among other changes, the new standard specifically eliminated the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. Generally, only a single limited partner that is able to exercise substantive kick-out rights will consolidate. The Company adopted this new standard as required effective January 1, 2016. While adoption of the new standard did not result in any changes to conclusions about whether a joint venture was consolidated or unconsolidated, the Company has determined that certain of its joint ventures and the Operating Partnership will now qualify as variable interest entities ("VIEs") and therefore will require additional disclosures. See Note 6 for further discussion.

In March 2016, the FASB issued a new standard which simplified several aspects of the accounting for employee share-based payment transactions, including income tax consequences, classification of awards as equity or liability, statement of cash flows classification and policy election options for forfeitures. The Company adopted this new standard as required effective January 1, 2017. The Company will continue to estimate the number of awards expected to be forfeited and adjust the estimate when it is no longer probable that the employee will fulfill the service condition, as was required under the old standard. The adoption of this standard did not have a material impact on our consolidated results of operations or financial position.

In January 2017, the FASB issued a new standard which clarified the definition of a business. The standard's objective was to add additional guidance that assists companies in determining whether transactions should be accounted for as an asset acquisition or a business combination. The new standard first requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If this threshold is not met, the entity next evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Among other differences, transaction

costs associated with asset acquisitions are capitalized while those associated with business combinations are expensed as incurred. In addition, purchase price in an asset acquisition is allocated on a relative fair value basis while in a business combination it is generally measured at fair value. The new standard will be applied prospectively to any transactions occurring within the period of adoption. The Company early adopted the new standard as allowed effective January 1, 2017. The Company anticipates that substantially all of its transactions will now be accounted for as asset acquisitions, which means transaction costs will largely be capitalized as noted above.

Other

The Company is the controlling partner in various consolidated partnerships owning 17 properties and 3,215 apartment units having a noncontrolling interest book value of \$6.2 million at September 30, 2017. The Company is required to make certain disclosures regarding noncontrolling interests in consolidated limited-life subsidiaries. Of the consolidated entities described above, the Company is the controlling partner in limited-life partnerships owning four properties having a noncontrolling interest deficit balance of \$7.3 million. These four partnership agreements contain provisions that require the partnerships to be liquidated through the sale of their assets upon reaching a date specified in each respective partnership agreement. The Company, as controlling partner, has an obligation to cause the property owning partnerships to distribute the proceeds of liquidation to the Noncontrolling Interests in these Partially Owned Properties only to the extent that the net proceeds received by the partnerships from the sale of their assets warrant a distribution based on the partnership agreements. As of September 30, 2017, the Company estimates the value of

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Noncontrolling Interest distributions for these four properties would have been approximately \$65.8 million (“Settlement Value”) had the partnerships been liquidated. This Settlement Value is based on estimated third party consideration realized by the partnerships upon disposition of the four Partially Owned Properties and is net of all other assets and liabilities, including yield maintenance on the mortgages encumbering the properties, that would have been due on September 30, 2017 had those mortgages been prepaid. Due to, among other things, the inherent uncertainty in the sale of real estate assets, the amount of any potential distribution to the Noncontrolling Interests in the Company's Partially Owned Properties is subject to change. To the extent that the partnerships' underlying assets are worth less than the underlying liabilities, the Company has no obligation to remit any consideration to the Noncontrolling Interests in these Partially Owned Properties.

3. Equity, Capital and Other Interests

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 restricted units) for the nine months ended September 30, 2017:

	2017
Common Shares	
Common Shares outstanding at January 1,	365,870,924
Common Shares Issued:	
Conversion of OP Units	1,107,735
Exercise of share options	343,527
Employee Share Purchase Plan (ESPP)	54,843
Restricted share grants, net	85,451
Common Shares Outstanding at September 30,	367,462,480
Units	
Units outstanding at January 1,	14,626,075
Restricted unit grants, net	291,647
Conversion of OP Units to Common Shares	(1,107,735)
Units outstanding at September 30,	13,809,987
Total Common Shares and Units outstanding at September 30,	381,272,467
Units Ownership Interest in Operating Partnership	3.6 %

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

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

The Noncontrolling Interests – Operating Partnership Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Noncontrolling Interests – Operating Partnership are differentiated and referred to as “Redeemable Noncontrolling Interests – Operating Partnership”. Instruments that require settlement in registered shares cannot be classified in permanent equity as it is not always completely within an issuer’s control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Noncontrolling Interests – Operating Partnership 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

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classified in permanent equity at September 30, 2017 and December 31, 2016.

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 September 30, 2017, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately \$380.5 million, which represents the value of Common Shares that would be issued in exchange for 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 nine months ended September 30, 2017 (amounts in thousands):

	2017
Balance at January 1,	\$442,092
Change in market value	(29,551)
Change in carrying value	(32,000)
Balance at September 30,	\$380,541

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 September 30, 2017 and December 31, 2016:

	Amounts in thousands			
	Call Date (1)	Annual Dividend per Share (2)	September 30, 2017	December 31, 2016
Preferred Shares of beneficial interest, \$0.01 par value;				

100,000,000 shares authorized:

8.29% Series K Cumulative Redeemable Preferred;

liquidation value \$50 per share; 745,600 shares issued and

outstanding at September 30, 2017 and December 31, 2016	12/10/26	\$ 4.145	\$37,280	\$ 37,280
			\$37,280	\$ 37,280

(1) On or after the call 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.

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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 nine months ended September 30, 2017:

	2017
General and Limited Partner Units	
General and Limited Partner Units outstanding at January 1,	380,496,999
Issued to General Partner:	
Exercise of EQR share options	343,527
EQR's Employee Share Purchase Plan (ESPP)	54,843
EQR's restricted share grants, net	85,451
Issued to Limited Partners:	
Restricted unit grants, net	291,647
General and Limited Partner Units outstanding at September 30,	381,272,467
Limited Partner Units	
Limited Partner Units outstanding at January 1,	14,626,075
Limited Partner restricted unit grants, net	291,647
Conversion of Limited Partner OP Units to EQR Common	
Shares	(1,107,735)
Limited Partner Units outstanding at September 30,	13,809,987
Limited Partner Units Ownership Interest in Operating	
Partnership	3.6 %

The Limited Partners of the Operating Partnership as of September 30, 2017 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 restricted units. Subject to certain exceptions (including the "book-up" requirements of restricted 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 cannot be classified in permanent equity as it is not always completely within an issuer's control to deliver registered

shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable 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 September 30, 2017 and December 31, 2016.

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 September 30, 2017, the Redeemable Limited Partner Units have a redemption value of approximately \$380.5 million, which represents the value of Common Shares that would be issued in exchange for the Redeemable Limited Partner Units.

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The following table presents the changes in the redemption value of the Redeemable Limited Partners for the nine months ended September 30, 2017 (amounts in thousands):

	2017
Balance at January 1,	\$442,092
Change in market value	(29,551)
Change in carrying value	(32,000)
Balance at September 30,	\$380,541

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 September 30, 2017 and December 31, 2016:

		Amounts in thousands		
	Call Date (1)	Annual Dividend Per Unit (2)	September 30, 2017	December 31, 2016
Preference Units:				
8.29% Series K Cumulative Redeemable Preference Units;				
liquidation value \$50 per unit; 745,600 units issued and				
outstanding at September 30, 2017 and December 31, 2016				
	12/10/26	\$ 4.145	\$37,280	\$ 37,280
			\$37,280	\$ 37,280

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

(2) Dividends on Preference Units are payable quarterly.

Other

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). The program currently has a maturity of June 2019. EQR has the authority to issue 13.0 million shares but has not issued any shares under this program since September 2012.

The Company may repurchase up to 13.0 million Common Shares under its share repurchase program. No shares were repurchased during the nine months ended September 30, 2017 and as a result, EQR has remaining authorization to repurchase up to 13.0 million of its shares under the repurchase program as of September 30, 2017.

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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 September 30, 2017 and December 31, 2016 (amounts in thousands):

	September 30, 2017	December 31, 2016
Land	\$ 5,985,004	\$ 5,899,862
Depreciable property:		
Buildings and improvements	17,601,348	16,913,430
Furniture, fixtures and equipment	1,500,963	1,346,300
In-Place lease intangibles	469,091	470,849
Projects under development:		
Land	61,047	115,876
Construction-in-progress	232,017	521,292
Land held for development:		
Land	63,439	84,440
Construction-in-progress	35,634	34,376
Investment in real estate	25,948,543	25,386,425
Accumulated depreciation	(5,849,110)	(5,360,389)
Investment in real estate, net	\$ 20,099,433	\$ 20,026,036

The following table summarizes the carrying amounts for the Company's above and below market ground and retail lease intangibles as of September 30, 2017 and December 31, 2016 (amounts in thousands):

Description	Balance Sheet Location	September 30, 2017	December 31, 2016
Assets			
Ground lease intangibles – below market	Other Assets	\$ 191,918	\$ 178,251
Retail lease intangibles – above market	Other Assets	1,260	1,260
Lease intangible assets		193,178	179,511
Accumulated amortization		(21,305)	(17,972)
Lease intangible assets, net		\$ 171,873	\$ 161,539
Liabilities			
Ground lease intangibles – above market	Other Liabilities	\$ 2,400	\$ 2,400
Retail lease intangibles – below market	Other Liabilities	5,270	5,270
Lease intangible liabilities		7,670	7,670
Accumulated amortization		(5,113)	(4,509)
Lease intangible liabilities, net		\$ 2,557	\$ 3,161

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The following table provides a summary of the effect of the amortization for above and below market ground and retail lease intangibles on the Company's accompanying consolidated statements of operations and comprehensive income for the nine months and quarters ended September 30, 2017 and 2016 respectively (amounts in thousands):

Description	Income Statement Location	Nine Months		Quarter Ended	
		Ended September 30, 2017	2016	September 30, 2017	2016
Ground lease intangible amortization	Property and Maintenance	\$(3,253)	\$(3,241)	\$(1,092)	\$(1,080)
Retail lease intangible amortization	Rental Income	524	675	80	222
Total amortization of above/below					
market lease intangibles		\$(2,729)	\$(2,566)	\$(1,012)	\$(858)

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

	Remaining					
	2017	2018	2019	2020	2021	2022
Ground lease intangibles	\$ (1,116)	\$(4,463)	\$(4,463)	\$(4,463)	\$(4,463)	\$(4,463)
Retail lease intangibles	16	71	71	71	71	27
Total	\$ (1,100)	\$(4,392)	\$(4,392)	\$(4,392)	\$(4,392)	\$(4,436)

During the nine months ended September 30, 2017, 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 (1)	4	947	\$ 468,050
Total	4	947	\$ 468,050

(1)Purchase price includes an allocation of approximately \$68.3 million to land, \$386.2 million to depreciable property (inclusive of capitalized closing costs) and \$13.7 million to ground lease intangible (included in other assets). For one of the property acquisitions, the Company owns the building and improvements and leases the land underlying the improvements under a long-term ground lease that expires in 2113. This property is consolidated and reflected as a real estate asset while the ground lease is accounted for as an operating lease.

During the nine months ended September 30, 2017, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Rental Properties – Consolidated	4	1,024	\$ 319,700
Land Parcels (one)	—	—	33,450
Total	4	1,024	\$ 353,150

The Company recognized a net gain on sales of real estate properties of approximately \$141.8 million and a net gain on sales of land parcels of approximately \$19.2 million on the above sales.

5.Commitments to Acquire/Dispose of Real Estate

The Company has not entered into any separate agreements to acquire rental properties or land parcels as of October 27, 2017.

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

	Properties	Apartment Units	Sales Price
Land Parcels (one)	—	—	\$ 2,700
Total	—	—	\$ 2,700

The closing of this pending transaction is subject to certain conditions and restrictions, therefore, there can be no assurance that this transaction will be consummated or that the final terms will not differ in material respects from those summarized above.

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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 September 30, 2017 (amounts in thousands except for property and apartment unit amounts):

	Consolidated (VIE)	Unconsolidated (Non-VIE)	(VIE) (1)	Total
Total properties	17	2	—	2
Total apartment units	3,215	945	—	945
Balance sheet information at 9/30/2017 (at 100%):				
ASSETS				
Investment in real estate	\$ 648,839	\$ 236,630	\$ 172,995	\$ 409,625
Accumulated depreciation	(226,607)	(40,840)	(48,670)	(89,510)
Investment in real estate, net	422,232	195,790	124,325	320,115
Cash and cash equivalents	22,914	7,194	139	7,333
Investments in unconsolidated entities	45,035	—	—	—
Deposits – restricted	385	258	—	258
Other assets	26,246	450	105	555
Total assets	\$ 516,812	\$ 203,692	\$ 124,569	\$ 328,261
LIABILITIES AND EQUITY/CAPITAL				
Mortgage notes payable, net (2)	\$ 302,037	\$ 145,424	\$—	\$ 145,424
Accounts payable & accrued expenses	2,975	2,644	150	2,794
Accrued interest payable	1,024	691	—	691
Other liabilities	453	308	27	335
Security deposits	2,037	488	—	488
Total liabilities	308,526	149,555	177	149,732
Noncontrolling Interests – Partially Owned				
Properties/Partners' equity	6,175	54,336	84,682	139,018
Company equity/General and Limited Partners' Capital	202,111	(199)	39,710	39,511
Total equity/capital	208,286	54,137	124,392	178,529
Total liabilities and equity/capital	\$ 516,812	\$ 203,692	\$ 124,569	\$ 328,261

	Consolidated (VIE)	Unconsolidated (VIE)	(Non-VIE)(1)	Total
Operating information for the nine months ended 9/30/2017				
(at 100%):				
Operating revenue	\$ 69,917	\$ 20,050	\$ 3,805	\$ 23,855
Operating expenses	17,056	6,746	1,573	8,319
Net operating income	52,861	13,304	2,232	15,536

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Property management	2,463	584	56	640
General and administrative/other	239	1	127	128
Depreciation	15,569	7,960	4,126	12,086
Operating income (loss)	34,590	4,759	(2,077)	2,682
Interest and other income	45	—	—	—
Interest:				
Expense incurred, net	(9,977)	(6,217)	—	(6,217)
Amortization of deferred financing costs	(203)	(1)	—	(1)
Income (loss) before income and other taxes and (loss)				
from investments in unconsolidated entities	24,455	(1,459)	(2,077)	(3,536)
Income and other tax (expense) benefit	(34)	(13)	—	(13)
(Loss) from investments in unconsolidated entities	(1,155)	—	—	—
Net income (loss)	\$ 23,266	\$(1,472)	\$(2,077)	\$(3,549)

(1) Includes the Company's unconsolidated interest in an entity that owns the land underlying our Wisconsin Place apartment property and owns and operates the parking facility. This entity is excluded from the property and apartment unit count.

(2) All debt is non-recourse to the Company.

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Note: The above tables exclude EQR's ownership interest in ERPOP, private equity fund investments, and the Company's interests in unconsolidated joint ventures established in connection with the acquisition of certain real estate related assets from Archstone Enterprise LP ("Archstone"). These ventures owned certain Archstone assets and succeeded to certain residual Archstone liabilities/litigation, as well as responsibility for tax protection arrangements and third-party preferred interests in former Archstone subsidiaries. The preferred interests had an aggregate liquidation value of \$37.4 million at September 30, 2017. The ventures are owned 60% by the Company. See below for further discussion.

Operating Properties

The Company has various equity interests in certain limited partnerships owning 16 properties containing 2,783 apartment units. Each partnership owns a multifamily property. The Company is the general partner of these limited partnerships and is responsible for managing the operations and affairs of the partnerships as well as making all decisions regarding the businesses of the partnerships. The limited partners are not able to exercise substantive kick-out or participating rights. As a result, the partnerships qualify as VIEs. The Company has a controlling financial interest in the VIEs and, thus, is the VIEs' primary beneficiary. The Company has both the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. As a result, the partnerships are required to be consolidated on the Company's financial statements.

The Company has a 75% equity interest in the Wisconsin Place joint venture. The project contains a mixed-use site located in Chevy Chase, Maryland consisting of residential, retail, office and accessory uses, including underground parking facilities. The joint venture owns the 432 unit residential component, but has no ownership interest in the retail and office components. At September 30, 2017, the residential component had a net book value of \$167.0 million. The Company is the managing member and is responsible for conducting all administrative day-to-day matters and affairs of the joint venture as well as implementing all decisions with respect to the joint venture. The limited partner is not able to exercise substantive kick-out or participating rights. As a result, the joint venture qualifies as a VIE. The Company has a controlling financial interest in the VIE and, thus, is the VIE's primary beneficiary. The Company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance as well as the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, the entity that owns the residential component is required to be consolidated on the Company's financial statements.

The Wisconsin Place joint venture also retains an unconsolidated interest in an entity that owns the land underlying the entire project and owns and operates the parking facility. At September 30, 2017, the basis of this investment was \$45.0 million. The joint venture, as a limited partner, does not have substantive kick-out or participating rights in the entity. As a result, the entity qualifies as a VIE. The joint venture does not have a controlling financial interest in the VIE and is not the VIE's primary beneficiary. The joint venture does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance or the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, the entity that owns the land and owns and operates the parking facility is unconsolidated and recorded using the equity method of accounting.

The Company has a 20% equity interest in each of the Nexus Sawgrass and Domain joint ventures. The Nexus Sawgrass joint venture owns a 501 unit apartment property located in Sunrise, Florida and the Company's interest had a basis of \$4.4 million at September 30, 2017. The Domain joint venture owns a 444 unit apartment property located in San Jose, California and the Company's interest had a basis of \$8.4 million at September 30, 2017. Both properties were funded with long-term, non-recourse secured loans from the partner. The mortgage loan on Nexus Sawgrass has

a current unconsolidated outstanding balance of \$48.6 million, bears interest at 5.60% and matures January 1, 2021. The mortgage loan on Domain has a current unconsolidated outstanding balance of \$96.8 million, bears interest at 5.75% and matures January 1, 2022. While the Company is the managing member of both of the joint ventures, the joint venture partner has significant participating rights and has active involvement in and oversight of the operations. As a result, the entities do not qualify as VIEs. The Company alone does not have the power to direct the activities of the entities that most significantly impact the entities' economic performance and as a result, the entities are unconsolidated and recorded using the equity method of accounting.

Other

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

The Company agreed to a maximum investment of \$5.0 million each for two private equity funds, both of which primarily focus on real estate technology investments. The Company accounts for both investments under the equity method of accounting. As of

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September 30, 2017, the Company's interest in these investments had a combined basis of \$1.6 million.

On February 27, 2013, in connection with the acquisition of Archstone, subsidiaries of the Company entered into three limited liability company agreements (collectively, the "Residual JV"). The Residual JV owned certain Archstone assets and succeeded to certain residual Archstone liabilities/litigation. The Residual JV is owned 60% by the Company and 40% by its joint venture partner. The Company's basis at September 30, 2017 was a net obligation of \$0.4 million. The Residual JV is managed by a Management Committee consisting of two members from each of the Company and its joint venture partner. 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 does not qualify as a VIE. The Company alone does not have the power to direct the activities of the Residual JV that most significantly impact the Residual JV's economic performance and as a result, the Residual JV is unconsolidated and recorded using the equity method of accounting. The Residual JV has sold all of the real estate assets that were acquired as part of the acquisition of Archstone, including all of the German assets, and is in the process of winding down all remaining activities.

On February 27, 2013, in connection with the acquisition of Archstone, a subsidiary of the Company entered into a limited liability company agreement (the "Legacy JV"), through which they assumed obligations of Archstone in the form of preferred interests, some of which are governed by tax protection arrangements. At September 30, 2017, the remaining preferred interests had an aggregate liquidation value of \$37.4 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 its joint venture partner. The Legacy JV is managed by a Management Committee consisting of two members from each of the Company and its joint venture partner. 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 does not qualify as a VIE. The Company alone does not have the power to direct the activities of the Legacy JV that most significantly impact the Legacy JV's economic performance and as a result, the Legacy JV is unconsolidated and recorded using the equity method of accounting.

7. Deposits – Restricted and Escrow Deposits –
Mortgage

The following table presents the Company's restricted deposits as of September 30, 2017 and December 31, 2016 (amounts in thousands):

	September 30, 2017	December 31, 2016
Tax-deferred (1031) exchange proceeds	\$ —	\$ 38,847
Restricted deposits on real estate investments	61	733
Resident security and utility deposits	35,667	37,007
Other	911	359
Totals	\$ 36,639	\$ 76,946

The following table presents the Company's escrow deposits for mortgages as of September 30, 2017 and December 31, 2016 (amounts in thousands):

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	September 30, 2017	December 31, 2016
Real estate taxes and insurance	\$ 556	\$ 2,003
Replacement reserves	7,969	3,428
Mortgage principal reserves/sinking funds	1,595	58,652
Other	852	852
Totals	\$ 10,972	\$ 64,935

During the nine months ended September 30, 2017, the Company received approximately \$60.5 million from the return of various mortgage principal reserves/sinking funds on certain tax-exempt mortgage bond deals.

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 September 30, 2017, the Company had outstanding mortgage debt of approximately \$3.6 billion.

During the nine months ended September 30, 2017, the Company:

• Repaid \$300.0 million of 5.987% mortgage debt held in a Fannie Mae loan pool maturing in 2019 and incurred a prepayment penalty of approximately \$10.8 million;

• Repaid \$193.4 million of conventional fixed-rate mortgage loans maturing in 2017 through 2048 and incurred a prepayment penalty of approximately \$1.5 million; and

• Repaid \$8.8 million of scheduled principal repayments on various mortgage debt.

The Company recorded \$0.3 million of write-offs of unamortized deferred financing costs during the nine months ended September 30, 2017 as additional interest expense related to debt extinguishment of mortgages. The Company also recorded \$0.7 million of write-offs of net unamortized premiums during the nine months ended September 30, 2017 as a reduction of interest expense related to debt extinguishment of mortgages.

As of September 30, 2017, the Company had \$598.7 million of secured debt subject to third party credit enhancement.

As of September 30, 2017, scheduled maturities for the Company's outstanding mortgage indebtedness were at various dates through May 28, 2061. At September 30, 2017, the interest rate range on the Company's mortgage debt was 0.10% to 6.90%. During the nine months ended September 30, 2017, the weighted average interest rate on the Company's mortgage debt was 4.33%.

Notes

As of September 30, 2017, the Company had outstanding unsecured notes of approximately \$5.1 billion.

During the nine months ended September 30, 2017, the Company:

• Repaid \$394.1 million of 5.75% unsecured notes at maturity;

• Issued \$400.0 million of ten-year 3.25% fixed rate public notes, receiving net proceeds of approximately \$399.3 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 3.32% after termination of four forward starting swaps in conjunction with the issuance (see Note 9 for further discussion); and

• Issued \$300.0 million of thirty-year 4.00% fixed rate public notes, receiving net proceeds of approximately \$293.2 million before underwriting fees and other expenses, at an all-in effective interest rate of 4.11%.

As of September 30, 2017, scheduled maturities for the Company's outstanding notes were at various dates through August 1, 2047. At September 30, 2017, the interest rate range on the Company's notes was 2.375% to 7.57%. During the nine months ended September 30, 2017, the weighted average interest rate on the Company's notes was 4.41%.

Line of Credit and Commercial Paper

On November 3, 2016, the Company replaced its existing \$2.5 billion facility with a \$2.0 billion unsecured revolving credit facility maturing January 10, 2022. The Company has the ability to increase available borrowings by an additional \$750.0 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 0.825%), or based on bids received from the lending group, and the Company pays an annual facility fee

(currently 12.5 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long term debt.

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On February 2, 2015, the Company entered into an unsecured commercial paper note program in the United States. The Company may borrow up to a maximum of \$500.0 million under this program subject to market conditions. The notes will be sold under customary terms in the United States commercial paper note market and will rank pari passu with all of the Company's other unsecured senior indebtedness. As of September 30, 2017, there was a balance of \$229.8 million outstanding on the commercial paper program (\$230.0 million in principal outstanding net of an unamortized discount of \$0.2 million). The notes bear interest at various floating rates with a weighted average of 1.37% for the nine months ended September 30, 2017 and a weighted average maturity of 18 days as of September 30, 2017.

As of September 30, 2017, the amount available on the revolving credit facility was \$1.76 billion (net of \$11.1 million which was restricted/dedicated to support letters of credit and net of \$230.0 million in principal outstanding on the commercial paper program).

Other

On April 24, 2017, the Company executed a new letter of credit facility with a third party financial institution which is not backed by or collateralized by borrowings on the Company's unsecured revolving credit facility. As of September 30, 2017, there was \$9.0 million in letters of credit outstanding on this facility.

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.

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 commodity prices in the daily operations of the business.

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

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company's derivative positions are valued using models developed by the respective counterparty as well as models 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 commercial paper) were calculated using indicative rates provided by lenders of similar loans in the case of mortgage notes payable and the private unsecured debt (including its commercial paper) and quoted market prices for each underlying issuance in the case of the public unsecured notes.

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The fair values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, commercial paper, line of credit and derivative instruments), including cash and cash equivalents and other financial instruments, approximate their carrying or contract value. The following table provides a summary of the carrying and fair values for the Company's mortgage notes payable and unsecured debt (including its commercial paper and line of credit, if applicable) at September 30, 2017 and December 31, 2016, respectively (amounts in thousands):

	September 30, 2017		December 31, 2016	
	Estimated Fair Value (Level 2)	Carrying Value	Estimated Fair Value (Level 2)	Carrying Value
Mortgage notes payable, net	\$3,630,477	\$3,619,180	\$4,161,001	\$4,119,181
Unsecured debt, net	5,640,095	5,373,092	5,030,330	4,868,077
Total debt, net	\$9,270,572	\$8,992,272	\$9,191,331	\$8,987,258

The following table summarizes the Company's consolidated derivative instruments at September 30, 2017 (dollar amounts are in thousands):

	Fair Value	Forward	
		Hedges (1)	Swaps (2)
Current Notional Balance	\$450,000	\$250,000	
Lowest Interest Rate	2.375 %	2.1478 %	
Highest Interest Rate	2.375 %	2.2895 %	
Earliest Maturity Date	2019	2028	
Latest Maturity Date	2019	2029	

(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 planned future debt issuances. Of the \$250.0 million notional balance, \$200.0 million of these swaps have mandatory counterparty terminations in 2019 and are targeted for 2018 debt issuances while \$50.0 million of these swaps have mandatory counterparty terminations in 2020 and are targeted for 2019 debt issuances.

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 September 30, 2017 and December 31, 2016, respectively (amounts in thousands):

Description	Balance Sheet Location	Fair Value Measurements at Reporting Date			
		Using Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	
		9/30/2017	(Level 1)	(Level 2)	(Level 3)
Assets					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Fair Value Hedges	Other Assets	\$444	\$—	\$ 444	\$ —
Forward Starting Swaps	Other Assets	3,921	—	3,921	—
Supplemental Executive Retirement Plan	Other Assets	136,774	136,774	—	—
Total		\$141,139	\$136,774	\$ 4,365	\$ —
Liabilities					
Supplemental Executive Retirement Plan	Other Liabilities	\$136,774	\$136,774	\$ —	\$ —
Total		\$136,774	\$136,774	\$ —	\$ —
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners					
	Mezzanine	\$380,541	\$—	\$ 380,541	\$ —

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Description	Balance Sheet Location	12/31/2016	Fair Value Measurements at Reporting Date Using		
			Identical Assets	Observable Inputs	Unobservable Inputs
			(Level 1)	(Level 2)	(Level 3)
Assets					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Fair Value Hedges	Other Assets	\$ 1,857	\$—	\$ 1,857	\$ —
Supplemental Executive Retirement Plan	Other Assets	124,420	124,420	—	—
Total		\$ 126,277	\$ 124,420	\$ 1,857	\$ —
Liabilities					
Supplemental Executive Retirement Plan	Other Liabilities	\$ 124,420	\$ 124,420	\$ —	\$ —
Total		\$ 124,420	\$ 124,420	\$ —	\$ —
Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners					
	Mezzanine	\$ 442,092	\$—	\$ 442,092	\$ —

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 nine months ended September 30, 2017 and 2016, respectively (amounts in thousands):

Type of Fair Value Hedge	Location of Derivative	Amount of Derivative	Hedged Item	Income Statement	Amount of Gain/(Loss) Recognized in
September 30, 2017	Income on	Income on	Hedged Item	Location of	Income
	Derivative	Derivative	Hedged Item	Gain/(Loss)	on Hedged Item

Derivatives designated as hedging instruments:

Interest Rate Contracts:

Interest Rate Swaps	Interest expense	\$ (1,413)	Fixed rate debt	Interest expense	\$ 1,413
Total		\$ (1,413)			\$ 1,413

Type of Fair Value Hedge	Derivative	Derivative	Hedged Item	Gain/(Loss)	on Hedged Item
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Interest Rate Swaps	Interest expense	\$ 4,563	Fixed rate debt	Interest expense	\$ (4,563)
Total		\$ 4,563			\$ (4,563)

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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 nine months ended September 30, 2017 and 2016, respectively (amounts in thousands):

September 30, 2017	Effective Portion		Ineffective Portion		
	Amount of	Location of	Amount of	Location of	
Type of Cash Flow Hedge	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	
Derivatives designated as hedging instruments:	Reclassified from	Reclassified from	Recognized in	Reclassified from	
Interest Rate Contracts:	Accumulated OCI	Accumulated OCI	Income on	Accumulated OCI	
Forward Starting Swaps	on	OCI into Income	Derivative	OCI into Income	
Forward Starting Swaps	\$5,216	Interest expense	\$ (14,019)	N/A	\$ —
Total	\$5,216		\$ (14,019)		\$ —

September 30, 2016	Effective Portion		Ineffective Portion		
	Amount of	Location of	Amount of	Location of	
Type of Cash Flow Hedge	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	
Derivatives designated as hedging instruments:	Reclassified from	Reclassified from	Recognized in	Reclassified from	
Interest Rate Contracts:	Accumulated OCI	Accumulated OCI	Income on	Accumulated OCI	
Forward Starting Swaps	on	OCI into Income	Derivative	OCI into Income	
Forward Starting Swaps	\$(4,240)	Interest expense	\$ (37,262)	N/A	\$ —
Total	\$(4,240)		\$ (37,262)		\$ —

As of September 30, 2017 and December 31, 2016, there were approximately \$94.7 million and \$113.9 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 September 30, 2017, the Company may recognize an estimated \$21.4 million of accumulated other comprehensive (loss) as additional interest expense

during the twelve months ending September 30, 2018.

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

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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):

	Nine Months Ended		Quarter Ended	
	September 30,	2016	September 30,	2016
	2017	2016	2017	2016
Numerator for net income per share – basic:				
Income from continuing operations	\$498,297	\$4,177,599	\$144,196	\$217,246
Allocation to Noncontrolling Interests – Operating				
Partnership, net	(17,931)	(160,437)	(5,166)	(8,344)
Net (income) attributable to Noncontrolling				
Interests – Partially Owned Properties	(2,354)	(2,368)	(801)	(823)
Preferred distributions	(2,318)	(2,318)	(772)	(773)
Income from continuing operations available to				
Common Shares, net of Noncontrolling Interests	475,694	4,012,476	137,457	207,306
Discontinued operations, net of Noncontrolling Interests	—	119	—	237
Numerator for net income per share – basic	\$475,694	\$4,012,595	\$137,457	\$207,543
Numerator for net income per share – diluted:				
Income from continuing operations	\$498,297	\$4,177,599	\$144,196	\$217,246
Net (income) attributable to Noncontrolling				
Interests – Partially Owned Properties	(2,354)	(2,368)	(801)	(823)
Preferred distributions	(2,318)	(2,318)	(772)	(773)
Income from continuing operations available to Common Shares	493,625	4,172,913	142,623	215,650
Discontinued operations, net	—	124	—	246
Numerator for net income per share – diluted	\$493,625	\$4,173,037	\$142,623	\$215,896
Denominator for net income per share – basic and diluted:				
Denominator for net income per share – basic	366,809	364,917	366,996	365,109
Effect of dilutive securities:				
OP Units	12,907	13,828	12,910	13,899
Long-term compensation shares/units	2,924	3,539	3,039	3,365
Denominator for net income per share – diluted	382,640	382,284	382,945	382,373
Net income per share – basic	\$1.30	\$11.00	\$0.37	\$0.57
Net income per share – diluted	\$1.29	\$10.92	\$0.37	\$0.56
Net income per share – basic:				
Income from continuing operations available to				
Common Shares, net of Noncontrolling Interests	\$1.30	\$11.00	\$0.37	\$0.57
Discontinued operations, net of Noncontrolling Interests	—	—	—	—

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Net income per share – basic	\$1.30	\$11.00	\$0.37	\$0.57
Net income per share – diluted:				
Income from continuing operations available to Common Shares	\$1.29	\$10.92	\$0.37	\$0.56
Discontinued operations, net	—	—	—	—
Net income per share – diluted	\$1.29	\$10.92	\$0.37	\$0.56

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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):

	Nine Months Ended		Quarter Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Numerator for net income per Unit – basic and diluted:				
Income from continuing operations	\$498,297	\$4,177,599	\$144,196	\$217,246
Net (income) attributable to Noncontrolling Interests – Partially				
Owned Properties	(2,354)	(2,368)	(801)	(823)
Allocation to Preference Units	(2,318)	(2,318)	(772)	(773)
Income from continuing operations available to Units	493,625	4,172,913	142,623	215,650
Discontinued operations, net	—	124	—	246
Numerator for net income per Unit – basic and diluted	\$493,625	\$4,173,037	\$142,623	\$215,896
Denominator for net income per Unit – basic and diluted:				
Denominator for net income per Unit – basic	379,716	378,745	379,906	379,008
Effect of dilutive securities:				
Dilution for Units issuable upon assumed exercise/vesting				
of the Company's long-term compensation shares/units	2,924	3,539	3,039	3,365
Denominator for net income per Unit – diluted	382,640	382,284	382,945	382,373
Net income per Unit – basic	\$1.30	\$11.00	\$0.37	\$0.57
Net income per Unit – diluted	\$1.29	\$10.92	\$0.37	\$0.56
Net income per Unit – basic:				
Income from continuing operations available to Units	\$1.30	\$11.00	\$0.37	\$0.57
Discontinued operations, net	—	—	—	—
Net income per Unit – basic	\$1.30	\$11.00	\$0.37	\$0.57
Net income per Unit – diluted:				
Income from continuing operations available to Units	\$1.29	\$10.92	\$0.37	\$0.56
Discontinued operations, net	—	—	—	—
Net income per Unit – diluted	\$1.29	\$10.92	\$0.37	\$0.56

11. Individually Significant Dispositions

The Company executed an agreement with controlled affiliates of Starwood Capital Group ("Starwood") on October 23, 2015 to sell a portfolio of 72 operating properties consisting of 23,262 apartment units located in five markets across the United States for \$5.365 billion (the "Starwood Transaction" or "Starwood Portfolio"). The Starwood Portfolio represented substantially all of the assets in the Company's South Florida and Denver markets and certain suburban assets in the Washington D.C., Seattle and Los Angeles markets. On January 26 and 27, 2016, the Company closed on the sale of the entire portfolio described above.

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The Company concluded that the Starwood Transaction did not qualify for discontinued operations reporting as it did not represent a strategic shift that had a major effect on the Company's operations and financial results. The Company has been investing only in its six coastal markets (Boston, New York, Washington D.C., Southern California, San Francisco and Seattle) and has not been acquiring or developing any new assets in its other markets. Over the past several years, the Company has been repositioning its portfolio by selling its suburban assets located in markets outside its six core coastal markets. The sale of the Starwood Portfolio represented the continuation of the above strategy. However, the Company concluded that the Starwood Transaction did qualify as an individually significant component of the Company as the amount received upon disposal exceeded 10% of total assets, and NOI (see definition in Note 13) of the Starwood Portfolio represented approximately 1.6% of consolidated NOI (for the approximate one-month period owned in 2016) for the nine months ended September 30, 2016 and approximately 15.7% of consolidated NOI for the year ended December 31, 2015. As a result, the following table summarizes the results of operations attributable to the Starwood Transaction for the nine months and quarter ended September 30, 2016 (amounts in thousands):

	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2016
REVENUES		
Rental income	\$ 30,660	\$ 239
Total revenues	30,660	239
EXPENSES		
Property and maintenance	7,839	(84)
Real estate taxes and insurance	2,933	1
Property management	2	—
General and administrative	19	4
Total expenses	10,793	(79)
Operating income	19,867	318
Interest and other income	21	10
Interest:		
Expense incurred, net	(380)	(6)
Amortization of deferred financing costs	(707)	—
Income and other tax (expense) benefit	(1)	—
Net gain (loss) on sales of real estate properties	3,161,097	(103)
Income from operations attributable to controlling		
interests – Operating Partnership	3,179,897	219
Income from operations attributable to Noncontrolling		
Interests – Operating Partnership	(122,146)	(8)
Income from operations attributable to controlling		
interests – Company	\$ 3,057,751	\$ 211

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. As of September 30, 2017, the Company does have environmental reserves totaling approximately \$5.7 million related to two of its properties.

The Company has established a reserve related to various litigation matters associated with its Massachusetts properties and periodically assesses the adequacy of the reserve and makes adjustments as necessary. As of September 30, 2017, the reserve totaled approximately \$0.9 million. While no assurances can be given, the Company does not believe that the ultimate resolution of any of these remaining litigation matters, 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 September 30, 2017, the Company has four wholly owned projects totaling 1,285 apartment units in various stages of development with commitments to fund of approximately \$127.3 million and estimated completion dates ranging through September 30, 2019, as well as other completed development projects that are in various stages of lease up or are stabilized.

As of September 30, 2017, the Company has two unconsolidated operating properties (Nexus Sawgrass and Domain) that are owned with the same third party joint venture partner. The joint venture agreements with this partner are primarily deal-specific

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regarding profit-sharing, equity contributions, returns on investment, buy-sell agreements and other customary provisions. The 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 described in the joint venture agreements. See Note 6 for further discussion.

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 same store operating segments located in its coastal markets represent its reportable segments. The Company's operating segments located in its other markets (Phoenix) that are not material have also been included in the tables presented below.

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

All revenues are from external customers and there is no customer who contributed 10% or more of the Company's total revenues during the nine months and quarters ended September 30, 2017 and 2016, respectively.

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

The following table presents a reconciliation of NOI from our rental real estate specific to continuing operations for the nine months and quarters ended September 30, 2017 and 2016, respectively (amounts in thousands):

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2017	2016	2017	2016
Rental income	\$1,840,170	\$1,816,960	\$623,951	\$605,856
Property and maintenance expense	(306,645)	(309,688)	(104,721)	(104,216)
Real estate taxes and insurance expense	(253,318)	(238,954)	(84,087)	(81,343)
Total operating expenses	(559,963)	(548,642)	(188,808)	(185,559)
Net operating income	\$1,280,207	\$1,268,318	\$435,143	\$420,297

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The following tables present NOI for each segment from our rental real estate specific to continuing operations for the nine months and quarters ended September 30, 2017 and 2016, respectively, as well as total assets and capital expenditures at September 30, 2017 (amounts in thousands):

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Rental	Operating		Rental	Operating	
	Income	Expenses	NOI	Income	Expenses	NOI
Same store (1)						
Los Angeles	\$296,345	\$83,927	\$212,418	\$285,463	\$83,459	\$202,004
Orange County	66,081	16,355	49,726	63,005	15,529	47,476
San Diego	66,052	17,386	48,666	63,171	16,884	46,287
Subtotal - Southern California	428,478	117,668	310,810	411,639	115,872	295,767
Washington DC	322,307	98,043	224,264	317,879	95,187	222,692
New York	345,656	126,226	219,430	345,434	120,390	225,044
San Francisco	283,654	69,053	214,601	277,666	68,246	209,420
Boston	170,545	47,538	123,007	168,118	47,308	120,810
Seattle	133,279	37,205	96,074	125,910	34,979	90,931
Other Markets	1,384	499	885	1,342	428	914
Total same store	1,685,303	496,232	1,189,071	1,647,988	482,410	1,165,578
Non-same store/other (2) (3)						
Non-same store	144,975	53,367	91,608	78,287	29,173	49,114
Other (3)	9,892	10,364	(472)	90,685	37,059	53,626
Total non-same store/other	154,867	63,731	91,136	168,972	66,232	102,740
Totals	\$1,840,170	\$559,963	\$1,280,207	\$1,816,960	\$548,642	\$1,268,318

- (1) For the nine months ended September 30, 2017 and 2016, same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2016, less properties subsequently sold, which represented 70,285 apartment units.
- (2) For the nine months ended September 30, 2017 and 2016, non-same store primarily includes properties acquired after January 1, 2016, plus any properties in lease-up and not stabilized as of January 1, 2016.
- (3) Other includes development, other corporate operations and operations prior to sale for properties sold from 2014 through 2017 that do not meet the discontinued operations criteria.

Quarter Ended September 30, 2017			Quarter Ended September 30, 2016		
Rental	Operating		Rental	Operating	
Income	Expenses	NOI	Income	Expenses	NOI

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Same store (1)						
Los Angeles	\$102,566	\$27,768	\$74,798	\$98,542	\$29,362	\$69,180
Orange County	22,427	5,500	16,927	21,455	5,362	16,093
San Diego	22,432	5,867	16,565	21,516	5,740	15,776
Subtotal - Southern California	147,425	39,135	108,290	141,513	40,464	101,049
New York	125,351	46,219	79,132	124,709	44,223	80,486
Washington DC	108,763	33,459	75,304	107,340	32,817	74,523
San Francisco	98,805	24,875	73,930	97,259	24,487	72,772
Boston	57,071	16,351	40,720	56,368	16,399	39,969
Seattle	49,268	13,647	35,621	46,948	12,493	34,455
Other Markets	459	158	301	457	136	321
Total same store	587,142	173,844	413,298	574,594	171,019	403,575
Non-same store/other (2) (3)						
Non-same store	33,974	10,371	23,603	14,128	6,120	8,008
Other (3)	2,835	4,593	(1,758)	17,134	8,420	8,714
Total non-same store/other	36,809	14,964	21,845	31,262	14,540	16,722
Totals	\$623,951	\$188,808	\$435,143	\$605,856	\$185,559	\$420,297

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- (1) For the quarters ended September 30, 2017 and 2016, same store primarily includes all properties acquired or completed that were stabilized prior to July 1, 2016, less properties subsequently sold, which represented 72,049 apartment units.
- (2) For the quarters ended September 30, 2017 and 2016, non-same store primarily includes properties acquired after July 1, 2016, plus any properties in lease-up and not stabilized as of July 1, 2016.
- (3) Other includes development, other corporate operations and operations prior to sale for properties sold from 2014 through 2017 that do not meet the discontinued operations criteria.

	Nine Months Ended September 30,	
	Total Assets	Capital Expenditures
Same store (1)		
Los Angeles	\$2,620,672	\$ 18,952
Orange County	330,580	6,671
San Diego	425,241	3,776
Subtotal - Southern California	3,376,493	29,399
Washington DC		
Washington DC	3,836,992	26,308
New York	4,181,890	23,547
San Francisco	2,480,069	25,896
Boston	1,670,467	18,906
Seattle	1,172,356	15,499
Other Markets	12,778	83
Total same store	16,731,045	139,638
Non-same store/other (2) (3)		
Non-same store	3,080,697	3,206
Other (3)	886,091	414
Total non-same store/other	3,966,788	3,620
Totals	\$20,697,833	\$ 143,258

- (1) Same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2016, less properties subsequently sold, which represented 70,285 apartment units.
- (2) Non-same store primarily includes properties acquired after January 1, 2016, plus any properties in lease-up and not stabilized as of January 1, 2016.
- (3) Other includes development, other corporate operations and capital expenditures for properties sold.

14. Subsequent Events

Subsequent to September 30, 2017, the Company repaid \$103.9 million of 7.125% unsecured notes at maturity.

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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, 2016.

Forward-Looking Statements

Forward-looking statements are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, projections and assumptions made by management. While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such information is inherently subject to uncertainties and may involve certain risks, which could cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Many of these uncertainties and risks are difficult to predict and beyond management's control. 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 rental rates as well as higher than expected concessions or higher than expected operating expenses. 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, including large portfolios of properties, 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 political, economic and market conditions including, without limitation, new construction and excess inventory of multifamily and owned housing/condominiums, increasing portions of owned housing/condominium 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, 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, governmental regulations (including rent control legislation and restrictions) 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.

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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 rental apartment properties in urban and high-density suburban coastal gateway markets where today's renters want to live, work and play. 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.

EQR is the general partner of, and as of September 30, 2017 owned an approximate 96.4% ownership interest in, ERPOP. All of the Company’s property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

The Company’s corporate headquarters is located in Chicago, Illinois and the Company also operates property management offices in each of its six core coastal markets. As of September 30, 2017, the Company had approximately 2,700 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.equityapartments.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’s and the Operating Partnership’s business objectives and operating and investing strategies have not changed from the information included in the Company’s and the Operating Partnership’s Annual Report on Form

10-K for the year ended December 31, 2016.

Results of Operations

Third Quarter 2017 Transactions

In conjunction with our business objectives and operating strategy, the Company continued to invest in apartment properties located in our six coastal markets and sell apartment properties located primarily in the less dense portion of suburban markets and/or properties that are functionally or locationally challenged during the quarter ended September 30, 2017 as follows:

• Acquired three consolidated apartment properties, located in Boston, Los Angeles and Bellevue, Washington, consisting of 811 apartment units for approximately \$411.0 million, at a weighted average Acquisition Cap Rate (see Definitions section below) of 4.8%;

• Sold one consolidated apartment property in San Diego consisting of 120 apartment units for approximately \$53.0 million, at a Disposition Yield (see Definitions section below) of 4.3% and generating an Unlevered IRR (see Definitions section below) of 10.1%; and

• Substantially completed construction on two projects in Washington, D.C. and Seattle consisting of 572 apartment units totaling approximately \$300.4 million of development costs.

See also Note 4 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's real estate transactions.

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Same Store Results

Properties that the Company owned and were stabilized (see definition below) for all of both of the nine months ended September 30, 2017 and 2016 (the “Nine-Month 2017 Same Store Properties”), which represented 70,285 apartment units, and properties that the Company owned and were stabilized for all of both of the quarters ended September 30, 2017 and 2016 (the “Third Quarter 2017 Same Store Properties”), which represented 72,049 apartment units, impacted the Company’s results of operations. Both the Nine-Month 2017 Same Store Properties and the Third Quarter 2017 Same Store Properties are discussed in the following paragraphs.

The Company's primary financial measure for evaluating each of its apartment communities is net operating income (“NOI”). NOI represents rental income less direct property operating expenses (including real estate taxes and insurance). The Company believes that NOI is helpful to investors as a supplemental measure of its operating performance because it is a direct measure of the actual operating results of the Company’s apartment properties.

The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the nine months and quarter ended September 30, 2017:

	Nine Months Ended September 30, 2017		Quarter Ended September 30, 2017	
	Apartment		Apartment	
	Properties	Units	Properties	Units
Same Store Properties at Beginning of Period	272	69,879	282	71,354
2015 acquisitions	4	625	—	—
2017 dispositions	(4)	(1,024)	(1)	(120)
Lease-up properties stabilized	4	800	3	810
Other	—	5	—	5
Same Store Properties at September 30, 2017	276	70,285	284	72,049

	Nine Months Ended September 30, 2017		Quarter Ended September 30, 2017	
	Apartment		Apartment	
	Properties	Units	Properties	Units
Same Store	276	70,285	284	72,049
Non-Same Store: 2017 acquisitions - stabilized	2	437	2	437

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2017 acquisitions - not stabilized	2	510	2	510
2016 acquisitions	4	573	1	94
Properties removed from same store (1)	2	356	2	356
Master-Leased properties (2)	3	853	3	853
Lease-up properties not yet stabilized (3)	13	4,342	8	3,057
Other	1	1	1	1
Total Non-Same Store	27	7,072	19	5,308
Unconsolidated properties	2	945	2	945
Total Properties and Apartment Units	305	78,302	305	78,302

Note: Properties are considered "stabilized" when they have achieved 90% occupancy for three consecutive months. Properties are included in Same Store when they are stabilized for all of the current and comparable periods presented.

- (1) Consists of one property containing 285 apartment units (Playa Pacifica in Hermosa Beach, California) which was removed from the same store portfolio in the first quarter of 2015 due to a major renovation in which significant portions of the property were taken offline for extended time periods and one property containing 71 apartment units (Acton Courtyard in Berkeley, California) which was removed from the same store portfolio in the third quarter of 2016 due to an affordable housing dispute which required significant portions of the property to be vacant for an extended releasing period. As of September 30, 2017 and 2016, Playa Pacifica had an occupancy of 95.8% and 63.0%, respectively. As of September 30, 2017 and 2016, Acton Courtyard had an occupancy of 93.0% and 67.6%, respectively. These properties will not return to the same store portfolio until they are stabilized for all of the current and comparable periods presented.
- (2) Consists of three properties containing 853 apartment units that are wholly owned by the Company but the entire projects are master leased to a third party corporate housing provider.
- (3) Consists of properties in various stages of lease-up and properties where lease-up has been completed but the properties were not stabilized for the comparable periods presented.

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Revenues from the Nine-Month 2017 Same Store Properties increased \$37.3 million primarily as a result of an increase in average rental rates charged to residents. Expenses from the Nine-Month 2017 Same Store Properties increased \$13.8 million primarily as a result of an increase in real estate taxes, on-site payroll costs, utilities and repairs and maintenance expenses. The following tables provide comparative same store results and statistics for the Nine-Month 2017 Same Store Properties:

September YTD 2017 vs. September YTD 2016

Same Store Results/Statistics for 70,285 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics Average				
	Revenues	Expenses	NOI	Rental	Physical			
				Rate (1)	Occupancy (2)	Turnover (3)		
YTD 2017	\$1,685,303	\$496,232	\$1,189,071	\$2,662	96.0	%	41.9	%
YTD 2016	\$1,647,988	\$482,410	\$1,165,578	\$2,601	96.0	%	43.6	%
Change	\$37,315	\$13,822	\$23,493	\$61	0.0	%	(1.7)	%
Change	2.3	%	2.9	%	2.0	%	2.3	%

Note: Same store revenues for all leases are reflected on a straight line basis in accordance with GAAP for the current and comparable periods.

(1) Average Rental Rate – Total residential rental revenues reflected on a straight-line basis in accordance with GAAP divided by the weighted average occupied apartment units for the reporting period presented.

(2) Physical Occupancy – The weighted average occupied apartment units for the reporting period divided by the average of total apartment units available for rent for the reporting period.

(3) Turnover – Total residential move-outs divided by total residential apartment units, including inter-property and intra-property transfers.

The following table provides comparative same store operating expenses for the Nine-Month 2017 Same Store Properties:

September YTD 2017 vs. September YTD 2016

Same Store Operating Expenses for 70,285 Same Store Apartment Units

\$ in thousands

	Actual YTD 2017	Actual YTD 2016	\$ Change	% Change		% of Actual YTD 2017 Operating Expenses	
Real estate taxes	\$208,482	\$201,645	\$6,837	3.4 %		42.0 %	
On-site payroll (1)	112,607	107,514	5,093	4.7 %		22.7 %	
Utilities (2)	67,788	66,472	1,316	2.0 %		13.7 %	
Repairs and maintenance (3)	64,170	62,952	1,218	1.9 %		12.9 %	
Insurance	12,526	13,024	(498)	(3.8)%		2.5 %	
Leasing and advertising	7,034	7,579	(545)	(7.2)%		1.4 %	
Other on-site operating expenses (4)	23,625	23,224	401	1.7 %		4.8 %	
Same store operating expenses	\$496,232	\$482,410	\$13,822	2.9 %		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 and maintenance costs.
- (4) Other on-site operating expenses – Includes ground lease costs and administrative costs such as office supplies, telephone and data charges and association and business licensing fees.

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The following tables present reconciliations of operating income per the consolidated statements of operations to NOI, along with rental income, operating expenses and NOI per the consolidated statements of operations allocated between same store and non-same store/other results for the nine months ended September 30, 2017 and 2016 (amounts in thousands):

	Nine Months Ended September 30,	
	2017	2016
Operating income	\$632,707	\$632,016
Adjustments:		
Fee and asset management revenue	(532)	(3,351)
Property management	64,702	64,003
General and administrative	40,366	47,408
Depreciation	542,964	528,242
Total NOI	\$1,280,207	\$1,268,318
Rental income:		
Same store	\$1,685,303	\$1,647,988
Non-same store/other	154,867	168,972
Total rental income	1,840,170	1,816,960
Operating expenses:		
Same store	496,232	482,410
Non-same store/other	63,731	66,232
Total operating expenses	559,963	548,642
NOI:		
Same store	1,189,071	1,165,578
Non-same store/other	91,136	102,740
Total NOI	\$1,280,207	\$1,268,318

For properties that the Company acquired or completed that were stabilized prior to January 1, 2016 and that the Company expects to continue to own through December 31, 2017, the Company anticipates the following same store results for the full year ending December 31, 2017:

2017 Same Store	
Assumptions	
Physical Occupancy	95.9%
Revenue change	2.2%
Expense change	3.2%
NOI change	1.8%

The Company anticipates consolidated rental acquisitions of \$468.0 million and consolidated rental dispositions of \$500.0 million and expects that the Acquisition Cap Rate will be 0.50% lower than the Disposition Yield for the full year ending December 31, 2017. These 2017 assumptions are based on current expectations and are forward-looking.

Same store revenues increased 2.3% during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, which was ahead of our expectations primarily driven by gains in occupancy. As a result, the Company now anticipates same store revenue growth of approximately 2.2% for 2017, as compared to the most recent updated guidance range of 1.75% to 2.25% that was provided in July 2017. The Company's primary goal in 2017 continues to focus on retaining existing residents to drive renewal rate growth, which came in at 4.6% for the nine months ended September 30, 2017 as compared to the same period in 2016. Same store turnover declined by 1.7% for the nine months ended September 30, 2017 as compared to the same period in 2016. With same store occupancy of 96.0% for the nine months ended September 30, 2017, we also increased our occupancy expectations for full year 2017 from 95.8% to 95.9%.

Washington D.C. was originally expected to post improved same store revenue results for 2017 as compared to 2016 because we expected continuing job growth to allow the elevated levels of new supply in this market to be absorbed. During the second quarter of 2017, this job growth weakened, though it has modestly improved recently, with the impact from potential government spending initiatives still remaining unclear. Same store revenues increased 1.4% in the nine months ended September 30, 2017 as compared to the same period in 2016, which was lower than our original February 2017 expectations. We now expect to produce same store revenue growth of approximately 1.5% in 2017, which is relatively consistent with the prior year and slightly higher than our most recent expectation provided in July 2017 of an increase of 1.4% for this market.

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In the New York market, elevated deliveries of new luxury supply both in established residential areas and newer residential areas like Long Island City are having an impact on our ability to raise rents as renters begin to let go of neighborhood loyalty. There has also been a reduction in the rate of job growth in the financial services sector and technology sector, which are important demand drivers in the market. Due in part to our strong same store occupancy levels (96.1% for the nine months ended September 30, 2017), we have used fewer concessions during the nine months of 2017 than we originally expected and anticipate that trend to continue in the remaining three months of 2017. As a result, same store revenues increased 0.1% in the nine months ended September 30, 2017 as compared to the same period in 2016, which was slightly above our expectations. We still expect there to be a decline in same store revenues of approximately 0.1% for full year 2017, which is better than our most recent expectation provided in July 2017 of a decline of 0.3% for this market.

We have a cautious outlook for Boston as the market continues to feel the impact from an elevated level of deliveries of new supply in the downtown and Cambridge submarkets with approximately 50% of this new supply competing with our properties. Job growth has continued to improve in the market which is a positive sign that the additional supply may be absorbed without significant disruption. Same store revenues increased 1.4% in the nine months ended September 30, 2017 as compared to the same period in 2016, which was consistent with our expectations. We expect to produce same store revenue growth of approximately 1.6% in 2017, which is slightly higher than our most recent expectation provided in July 2017 of an increase of 1.5% for this market.

Seattle is producing solid rental rate growth driven by the continued growth in technology jobs in the market, but showed signs of slowing rent growth during the quarter. While new supply remains elevated in this market, until recently strong job growth has enabled that supply to be quickly absorbed with little market disruption. Same store revenues increased 5.9% in the nine months ended September 30, 2017 as compared to the same period in 2016, which exceeded our expectations. We expect Seattle to produce same store revenue growth of approximately 5.7% in 2017, which is slightly lower than our most recent expectation provided in July 2017 of an increase of 5.75% for this market.

San Francisco is producing a slower rate of job growth in the technology sector compared to previous years. However, we continue to see strong demand throughout the market, although the rate at which we can increase rents remains somewhat modest due to new supply and a slower rate of job growth. Same store revenues increased 2.2% in the nine months ended September 30, 2017 as compared to the same period in 2016, which was ahead of our expectations. We expect to produce same store revenue growth of approximately 2.1% in 2017, which is better than our most recent expectation provided in July 2017 of an increase of 1.8% for this market.

Southern California, which includes Los Angeles, Orange County and San Diego, is performing well and is positioned to be one of our better performing markets in 2017. Widely dispersed new supply, very good economic growth and adequate levels of job growth in the market are driving strong revenue growth. Same store revenues increased 4.1% in the nine months ended September 30, 2017 as compared to the same period in 2016, which was above our expectations. We expect to produce same store revenue growth of approximately 4.0% in 2017, which is slightly higher than our most recent expectation provided in July 2017 of an increase of 3.8% for this market. We expect Orange County and San Diego to perform slightly better than Los Angeles for full year 2017 as compared to 2016.

Same store expenses increased 2.9% during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. The Company now anticipates that 2017 same store expenses will increase 3.2%, as compared to the most recent guidance range of 3.25% to 4.0% that was provided in July 2017, significantly impacted by the following items:

• Real estate taxes increased 3.4% during the nine months ended September 30, 2017 as compared to the same period in 2016 and are now estimated to increase 3.4% for the full year 2017 as compared to 2016 (lower than the most recent guidance of 4.0% to 4.5% provided in July 2017), primarily driven by favorable real estate tax appeal results;

• Payroll costs increased 4.7% during the nine months ended September 30, 2017 as compared to the same period in 2016 and are estimated to increase 6.0% for the full year 2017 as compared to 2016 (consistent with the most recent guidance provided in July 2017), primarily due to an increase in on-site staffing to assure the service levels necessary to remain competitive with new supply, higher on-site wages due to competition from new supply and higher medical and workers compensation costs; and

• Utilities increased 2.0% during the nine months ended September 30, 2017 as compared to the same period in 2016 and are estimated to increase approximately 2.0% for the full year 2017 as compared to 2016 (consistent with the most recent guidance provided in July 2017), primarily due to moderate increases in natural gas costs, partially offset by lower gas usage and lower prices for electricity.

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Same store NOI increased 2.0% during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, which was ahead of our expectations. As a result, the Company now anticipates same store NOI growth of approximately 1.8%, as compared to the most recent guidance range of 0.75% to 1.75% that was provided in July 2017, for the full year 2017 as a result of the above same store revenue and expense expectations.

For the quarter ended September 30, 2017, same store revenue increased \$12.5 million or 2.2%, same store expenses increased \$2.8 million or 1.7% and same store NOI increased \$9.7 million or 2.4% when compared to the prior year period. See also Note 13 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

Non-Same Store/Other Results

Non-same store/other NOI results for the nine months ended September 30, 2017 decreased approximately \$11.6 million compared to the same period of 2016 and consist primarily of properties acquired in calendar years 2016 and 2017, operations from the Company's development properties and operations prior to disposition from 2016 and 2017 sold properties. This difference is due primarily to:

- A positive impact of higher NOI from development and newly stabilized development properties in lease-up of \$30.5 million;
- A positive impact of higher NOI from properties acquired in 2016 and 2017 of \$6.6 million;
- A positive impact of higher NOI from other non-same store properties (including three master leased properties) of \$1.8 million; and

- A negative impact of lost NOI from 2016 and 2017 dispositions of \$48.4 million.

Comparison of the nine months and quarter ended September 30, 2017 to the nine months and quarter ended September 30, 2016

For the nine months ended September 30, 2017, the Company reported diluted earnings per share/unit of \$1.29 compared to \$10.92 per share/unit in the same period of 2016. The difference is primarily due to approximately \$9.78 per share/unit in higher gains on property sales and \$0.14 per share/unit in higher gains on sales of non-operating assets in 2016 compared to 2017 as a direct result of the significant sales activity in 2016 compared to 2017, partially offset by \$0.28 per share/unit in higher debt extinguishment costs incurred in 2016 as compared to 2017. For the quarter ended September 30, 2017, the Company reported diluted earnings per share/unit of \$0.37 compared to \$0.56 per share/unit in the same period of 2016. The difference is primarily due to approximately \$0.22 per share/unit in higher gains on property sales in the third quarter of 2016 compared to the same period in 2017, partially offset by improved operations in the third quarter of 2017 as compared to the third quarter of 2016.

Income from continuing operations decreased approximately \$3.7 billion and \$73.1 million for the nine months and quarter ended September 30, 2017, respectively, compared to the prior periods. The decrease in continuing operations is discussed below.

The guidance/projections provided below are based on current projections and are forward-looking.

For the nine months ended September 30, 2017, consolidated rental income increased 1.3%, consolidated operating expenses (comprised of property and maintenance and real estate taxes and insurance) increased 2.1% and consolidated NOI increased 0.9% when compared to the nine months ended September 30, 2016. The increase in NOI is primarily a result of the Company's improved NOI from same store and lease-up properties. For the quarter ended September 30, 2017, consolidated rental income increased 3.0%, consolidated operating expenses (comprised of property and maintenance and real estate taxes and insurance) increased 1.8% and consolidated NOI increased 3.5% when compared to the quarter ended September 30, 2016. The increase in NOI is primarily a result of improved NOI from same store and lease-up properties.

For the nine months ended September 30, 2017, fee and asset management revenues decreased approximately \$2.8 million or 84.1% primarily as a result of lower revenue earned on management of the Company's military housing ventures at Joint Base Lewis McChord due to the sale of the Company's entire interest in the management contracts and related rights associated with these ventures in the second quarter of 2016.

Property management expenses include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses increased approximately \$0.7 million or 1.1% and approximately \$1.3 million or 6.9% for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods. These increases are primarily attributable to increases in education/conference costs and legal fees. The Company anticipates that property management expenses will approximate \$85.0 million for the year ending December 31, 2017.

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General and administrative expenses, which include corporate operating expenses, decreased approximately \$7.0 million or 14.9% for the nine months ended September 30, 2017 compared to the prior year period, primarily due to a decrease in payroll-related costs in 2017 compared to 2016. General and administrative expenses increased approximately \$0.2 million or 1.4% for the quarter ended September 30, 2017 compared to the prior year period, primarily due to an increase in payroll-related costs in 2017. The Company anticipates that general and administrative expenses will approximate \$52.0 million for the year ending December 31, 2017, excluding charges of approximately \$0.4 million related to the overlap of accounting costs for the Company's current and former executive compensation programs.

Depreciation expense, which includes depreciation on non-real estate assets, increased approximately \$14.7 million or 2.8% and \$4.9 million or 2.7% for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods, primarily as a result of additional depreciation expense on properties acquired in 2016 and 2017 and development properties placed in service, partially offset by lower depreciation from properties sold in 2016 and 2017.

Interest and other income decreased approximately \$59.4 million or 91.2% and \$1.6 million or 28.4% for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods. The year to date decrease is primarily attributable to the approximate \$52.4 million gain from the sale of the Company's entire interest in the management contracts and related rights associated with the military housing ventures at Joint Base Lewis McChord during the nine months ended September 30, 2016 which did not reoccur in 2017. The year to date and quarterly decreases are also a result of the sale of the Company's 421-a real estate tax certificates during the third quarter of 2016 which did not reoccur in 2017. The Company anticipates that interest and other income will approximate \$1.2 million for the year ending December 31, 2017, excluding certain non-comparable insurance/litigation settlement proceeds.

Other expenses decreased approximately \$11.3 million or 78.2% and \$9.4 million or 90.1% for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods, primarily due to a decrease in litigation settlements in 2017 as compared to 2016, as well as a decrease in annual transaction costs of approximately \$1.5 million. In addition, the Company anticipates that substantially all of its transactions will now be accounted for as asset acquisitions, which means that transaction costs will largely be capitalized, as a result of its adoption of the new definition of a business standard effective January 1, 2017. See Note 2 in the Notes to Consolidated Financial Statements for further discussion.

Interest expense, including amortization of deferred financing costs, decreased approximately \$101.3 million or 25.6% for the nine months ended September 30, 2017 compared to the prior year period, primarily as a result of \$108.5 million in lower debt extinguishment costs in 2017 as compared to 2016. The effective interest cost on all indebtedness for the nine months ended September 30, 2017 was 4.47% as compared to 4.69% for the prior year period. Interest expense, including amortization of deferred financing costs, increased approximately \$4.6 million or 5.2% for the quarter ended September 30, 2017 compared to the prior period. The increase is primarily due to a result of lower capitalized interest for the current period compared to the prior period. The effective interest cost on all indebtedness for the quarter ended September 30, 2017 was 4.35% as compared to 4.67% for the prior year period. The Company capitalized interest of approximately \$23.2 million and \$41.7 million during the nine months ended September 30, 2017 and 2016, respectively, and \$6.6 million and \$13.3 million during the quarters ended September 30, 2017 and 2016, respectively. The Company anticipates that interest expense from continuing operations, excluding debt extinguishment costs/prepayment penalties, will approximate \$370.5 million to \$374.7

million and capitalized interest will approximate \$25.0 million to \$27.0 million for the year ending December 31, 2017.

Income and other tax expense decreased approximately \$0.5 million or 40.3% and \$0.2 million or 46.5% for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods, primarily due to decreases in various state and local taxes related to the Company's elevated disposition activity in 2016 vs. 2017. The Company anticipates that income and other tax expense will approximate \$1.0 million for the year ending December 31, 2017.

Income from investments in unconsolidated entities decreased approximately \$8.0 million and \$8.1 million for the nine months and quarters ended September 30, 2017, respectively, compared to the prior year periods, primarily due to the gain on the sale of one unconsolidated apartment property in the prior year that did not occur in 2017.

Net gain on sales of real estate properties decreased approximately \$3.7 billion or 96.3% as a result of the sale of 91 consolidated apartment properties (including the Starwood Portfolio) during the nine months ended September 30, 2016 as compared to only four consolidated apartment property sales during the nine months ended September 30, 2017, all of which did not meet the criteria for reporting discontinued operations. Net gain on sales of real estate properties decreased approximately \$72.7 million and 80.8% during the quarter ended September 30, 2017 compared to the prior period as a result of the sale of one consolidated apartment property compared to the sale of eight consolidated properties in the prior year. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

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Net gain on sales of land parcels increased approximately \$3.4 million or 21.6% due to the gain on sale of one land parcel with a low basis during the nine months ended September 30, 2017 as compared to the gain on sales of four land parcels during the nine months ended September 30, 2016. Net gain on sales of land parcels decreased approximately \$4.0 million during the quarter ended September 30, 2017 as compared to the prior period as a result of the gain on sale of one land parcel in the prior year that did not occur in 2017.

Liquidity and Capital Resources

Short-Term Liquidity and Cash Proceeds

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

As of January 1, 2017, the Company had approximately \$77.2 million of cash and cash equivalents and the amount available on its revolving credit facility was \$1.96 billion (net of \$20.6 million which was restricted/dedicated to support letters of credit and net of \$20.0 million in principal outstanding on the commercial paper program). 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 September 30, 2017 was approximately \$46.6 million and the amount available on its revolving credit facility was \$1.76 billion (net of \$11.1 million which was restricted/dedicated to support letters of credit and net of \$230.0 million in principal outstanding on the commercial paper program).

During the nine months ended September 30, 2017, the Company generated proceeds from various transactions, which included the following:

- Disposed of four consolidated rental properties and one land parcel, receiving net proceeds of approximately \$350.0 million;
- Issued \$400.0 million of ten-year 3.25% fixed rate public notes, receiving net proceeds of approximately \$399.3 million before underwriting fees, hedge termination costs and other expenses;
- Issued \$300.0 million of thirty-year 4.00% fixed rate public notes, receiving net proceeds of approximately \$293.2 million before underwriting fees and other expenses; and
- Issued approximately 0.4 million Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$15.9 million, which were contributed to the capital of the Operating Partnership in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis).

During the nine months ended September 30, 2017, the above proceeds along with net cash flow from operations and borrowings from the Company's revolving line of credit and commercial paper program were primarily utilized to:

- Acquire four consolidated rental properties for approximately \$466.4 million in cash;
- Invest \$227.2 million primarily in development projects;
- Repay \$502.2 million of mortgage loans and incur prepayment penalties of approximately \$12.3 million; and
- Repay \$394.1 million of 5.750% unsecured notes at maturity.

Credit Facility and Commercial Paper Program

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On November 3, 2016, the Company replaced its existing \$2.5 billion facility with a \$2.0 billion unsecured revolving credit facility maturing January 10, 2022. The Company has the ability to increase available borrowings by an additional \$750.0 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 0.825%), or based on bids received from the lending group, and the Company pays an annual facility fee (currently 12.5 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt.

On February 2, 2015, the Company entered into an unsecured commercial paper note program in the United States. The

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Company may borrow up to a maximum of \$500.0 million under this program subject to market conditions. The notes will be sold under customary terms in the United States commercial paper note market and will rank pari passu with all of the Company's other unsecured senior indebtedness. As of October 27, 2017, there was a balance of \$440.0 million outstanding on the commercial paper program.

As of October 27, 2017, no amounts were outstanding and the amount available on the revolving credit facility was \$1.55 billion (net of \$6.6 million which was restricted/dedicated to support letters of credit and net of \$440.0 million in principal outstanding on the commercial paper program). This facility may, among other potential uses, be used to fund property acquisitions, costs for certain properties under development and short-term liquidity requirements.

Dividend Policy

The Company's and the Operating Partnership's dividend policy has not changed from the information included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2016. Total distributions paid in October 2017 amounted to \$192.6 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the third quarter ended September 30, 2017.

Long-Term Financing and Capital Needs

The Company expects to meet its long-term liquidity requirements, such as lump sum unsecured note and mortgage debt maturities, property acquisitions, 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, line of credit and commercial paper program. Of the \$25.9 billion in investment in real estate on the Company's balance sheet at September 30, 2017, \$20.0 billion or 77.1% 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.

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

The Company's total debt summary and debt maturity schedules as of September 30, 2017 are as follows:

Debt Summary as of September 30, 2017

(\$ in thousands)

	Weighted
Weighted	Average
Average	Maturities

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	Amounts (1)	% of Total	Rates (1)	(years)
Secured	\$3,619,180	40.2 %	4.33 %	5.8
Unsecured	5,373,092	59.8 %	4.22 %	10.8
Total	\$8,992,272	100.0%	4.27	% 8.8
Fixed Rate Debt:				
Secured – Conventional	\$2,983,680	33.2 %	4.91 %	4.3
Unsecured – Public	4,693,929	52.2 %	4.68 %	12.2
Fixed Rate Debt	7,677,609	85.4 %	4.77	% 9.1
Floating Rate Debt:				
Secured – Conventional	7,046	0.1 %	0.98 %	16.1
Secured – Tax Exempt	628,454	6.9 %	1.49 %	12.4
Unsecured – Public (2)	449,319	5.0 %	1.77 %	1.7
Unsecured – Revolving Credit Facility	—	—	2.00 %	4.2
Unsecured – Commercial Paper Program	229,844	2.6 %	1.37 %	—
Floating Rate Debt	1,314,663	14.6 %	1.57	% 6.9
Total	\$8,992,272	100.0%	4.27	% 8.8

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(1) Net of the effect of any derivative instruments. Weighted average rates are for the nine months ended September 30, 2017.

(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%.

Debt Maturity Schedule as of September 30, 2017

(\$ in thousands)

Year	Fixed Rate (1)	Floating Rate (1)	Total	% of Total	Weighted Average	
					Rates on Fixed Rate Debt (1)	Rates on Total Debt (1)
2017	\$105,731	\$230,100	(2) \$335,831	3.7 %	7.08 %	3.20 %
2018	49,734	97,235	146,969	1.6 %	5.55 %	2.99 %
2019	506,731	(3) 470,644	977,375	10.7 %	5.17 %	3.58 %
2020	1,678,592	(4) 400	1,678,992	18.5 %	5.49 %	5.49 %
2021	927,506	300	927,806	10.2 %	4.64 %	4.64 %
2022	265,341	400	265,741	2.9 %	3.26 %	3.26 %
2023	1,326,800	4,400	1,331,200	14.6 %	3.74 %	3.73 %
2024	1,272	10,500	11,772	0.1 %	4.79 %	1.39 %
2025	451,334	12,800	464,134	5.1 %	3.38 %	3.31 %
2026	593,424	14,000	607,424	6.7 %	3.59 %	3.53 %
2027+	1,826,437	535,265	2,361,702	25.9 %	4.15 %	3.43 %
Subtotal	7,732,902	1,376,044	9,108,946	100.0 %	4.39 %	3.97 %
Deferred Financing Costs and						
Unamortized (Discount)	(55,293)	(61,381)	(116,674)	N/A	N/A	N/A
Total	\$7,677,609	\$1,314,663	\$8,992,272	100.0 %	4.39 %	3.97 %

(1) Net of the effect of any derivative instruments. Weighted average rates are as of September 30, 2017.

(2) Includes \$230.0 million in principal outstanding on the Company's commercial paper program.

(3) Includes a \$500.0 million 5.19% mortgage loan with a maturity date of October 1, 2019 that can be prepaid at par beginning October 1, 2018.

(4) Includes a \$550.0 million 6.08% mortgage loan with a maturity date of March 1, 2020 that can be prepaid at par beginning March 1, 2019. Also includes a \$500.0 million 5.78% mortgage loan with a maturity date of July 1, 2020 that can be prepaid at par beginning July 1, 2019.

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See Note 8 in the Notes to Consolidated Financial Statements for additional discussion of debt at September 30, 2017.

ERPOP's long-term senior debt ratings and short-term commercial paper ratings as well as EQR's long-term preferred equity ratings, which all have a stable outlook, as of October 27, 2017 are as follows:

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

(1)The long-term credit ratings listed above reflect the one-level upgrade by Moody's effective July 17, 2017. See Note 14 in the Notes to Consolidated Financial Statements for discussion of the events which occurred subsequent to September 30, 2017.

Capitalization of Fixed Assets and Improvements to Real Estate

The Company's and the Operating Partnership's capital expenditures policy has not changed from the information included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2016.

For the nine months ended September 30, 2017, our actual capital expenditures to real estate included the following (amounts in thousands except for apartment unit and per apartment unit amounts):

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Capital Expenditures to Real Estate

For the Nine Months Ended September 30, 2017

	Same Stores Properties (5)	Non-Same Store Properties/Other (6)	Total	Same Store Avg. Per Apartment Unit
Total Apartment Units (1)	70,285	7,072	77,357	
Building Improvements (2)	\$ 75,369	\$ 2,379	\$ 77,748	\$ 1,072
Rehab Expenditures (3)	35,698	889	36,587	508
Replacements (4)	28,571	352	28,923	407
Total Capital Expenditures	\$ 139,638	\$ 3,620	\$ 143,258	\$ 1,987

- (1) Total Apartment Units – Excludes 945 unconsolidated apartment units for which capital expenditures to real estate are self-funded and do not consolidate into the Company's results.
- (2) Building Improvements – Includes roof replacement, paving, building mechanical equipment systems, exterior siding and painting, major landscaping, furniture, fixtures and equipment for amenities and common areas, vehicles and office and maintenance equipment.
- (3) Rehab Expenditures – Apartment unit renovation costs (primarily kitchens and baths) designed to reposition these units for higher rental levels in their respective markets. Amounts for same store properties approximated \$13,000 per apartment unit rehabbed.
- (4) Replacements – Includes appliances, mechanical equipment, fixtures and flooring (including hardwood and carpeting).
- (5) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2016, less properties subsequently sold.
- (6) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2016 and 2017, plus any properties in lease-up and not stabilized as of January 1, 2016. Also includes capital expenditures for properties sold.

The Company estimates that during 2017 it will spend approximately \$2,500 per same store apartment unit or \$176.0 million of total capital expenditures to real estate. During 2017, the Company expects to spend approximately \$43.0 million for apartment unit rehab expenditures on same store properties at an average cost of approximately \$13,000 per apartment unit rehabbed. The anticipated total capital expenditures to real estate amounts represent an increase as a percentage of rental revenues, in the cost per unit and in the absolute dollar amounts over 2016. We will continue to create value from our properties by doing those rehabs that meet our investment criteria. The above assumptions are based on current expectations and are forward-looking.

During the nine months ended September 30, 2017, 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 \$0.8 million. The Company expects to fund approximately \$0.6 million in total non-real estate capital additions for the remainder of 2017. These anticipated

fundings represent a decrease over 2016, which is primarily driven by the substantial completion of the implementation of new systems during 2016. The above assumption is based on current expectations and is forward-looking.

Capital expenditures to real estate and non-real estate capital additions 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 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 September 30, 2017.

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Definitions

The definition of certain terms described above or below are as follows:

• **Acquisition Cap Rate** – NOI that the Company anticipates receiving in the next 12 months (or the year two or three stabilized NOI for properties that are in lease-up at acquisition) less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from \$100-\$450 per apartment unit depending on the age and condition of the asset) divided by the gross purchase price of the asset. The weighted average Acquisition Cap Rate for acquired properties is weighted based on the projected NOI streams and the relative purchase price for each respective property.

• **Disposition Yield** – NOI that the Company anticipates giving up in the next 12 months less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from \$100-\$450 per apartment unit depending on the age and condition of the asset) divided by the gross sale price of the asset. The weighted average Disposition Yield for sold properties is weighted based on the projected NOI streams and the relative sales price for each respective property.

• **Unlevered Internal Rate of Return (“IRR”)** – The Unlevered IRR on sold properties is the compound annual rate of return calculated by the Company based on the timing and amount of: (i) the gross purchase price of the property plus any direct acquisition costs incurred by the Company; (ii) total revenues earned during the Company’s ownership period; (iii) total direct property operating expenses (including real estate taxes and insurance) incurred during the Company’s ownership period; (iv) capital expenditures incurred during the Company’s ownership period; and (v) the gross sales price of the property net of selling costs. Each of the items (i) through (v) is calculated in accordance with generally accepted accounting principles (“GAAP”).

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has various unconsolidated interests in certain joint ventures. The Company does not believe that these unconsolidated investments have a materially different impact on its liquidity, cash flows, capital resources, credit or market risk than its consolidated operating and/or other activities. See Notes 2 and 6 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company’s investments in partially owned entities. See also Note 12 in the Notes to Consolidated Financial Statements for discussion regarding the Company’s development projects.

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 and the Operating Partnership’s Annual Report on Form 10-K for the year ended December 31, 2016. See the updated debt maturity schedule included in Liquidity and Capital Resources for further discussion.

Critical Accounting Policies and Estimates

The Company’s and the Operating Partnership’s critical accounting policies and estimates have not changed materially from the information included in the Company’s and the Operating Partnership’s Annual Report on Form 10-K for the year ended December 31, 2016.

Funds From Operations and Normalized Funds From Operations

The following is the Company's and the Operating Partnership's reconciliation of net income to FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units for the nine months and quarters ended September 30, 2017 and 2016.

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Funds From Operations and Normalized Funds From Operations

(Amounts in thousands)

	Nine Months Ended		Quarter Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income	\$498,297	\$4,177,723	\$144,196	\$217,492
Net (income) attributable to Noncontrolling Interests – Partially Owned				
Properties	(2,354)	(2,368)	(801)	(823)
Preferred distributions	(2,318)	(2,318)	(772)	(773)
Net income available to Common Shares and Units / Units	493,625	4,173,037	142,623	215,896
Adjustments:				
Depreciation	542,964	528,242	184,100	179,230
Depreciation – Non-real estate additions	(3,808)	(3,932)	(1,228)	(1,297)
Depreciation – Partially Owned Properties	(2,500)	(2,896)	(834)	(953)
Depreciation – Unconsolidated Properties	3,430	3,606	1,145	1,139
Net (gain) on sales of unconsolidated entities - operating assets	(68)	(8,841)	—	(8,841)
Net (gain) on sales of real estate properties	(141,761)	(3,870,871)	(17,328)	(90,036)
Discontinued operations:				
Net (gain) on sales of discontinued operations	—	(43)	—	(28)
FFO available to Common Shares and Units / Units (1) (3) (4)	891,882	818,302	308,478	295,110
Adjustments:				
Asset impairment and valuation allowances	—	—	—	—
Write-off of pursuit costs	2,329	3,379	783	816
Debt extinguishment (gains) losses, including prepayment penalties, preferred share/preference unit redemptions and non-cash convertible				
debt discounts	11,789	120,276	(613)	112
(Gains) losses on sales of non-operating assets, net of income and other tax expense (benefit)	(19,355)	(73,600)	(405)	(7,007)
Other miscellaneous items	(4,195)	8,673	(3,405)	8,159
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$882,450	\$877,030	\$304,838	\$297,190
FFO (1) (3)	\$894,200	\$820,620	\$309,250	\$295,883
Preferred/preference distributions	(2,318)	(2,318)	(772)	(773)
FFO available to Common Shares and Units / Units (1) (3) (4)	\$891,882	\$818,302	\$308,478	\$295,110

Normalized FFO (2) (3)	\$884,768	\$879,348	\$305,610	\$297,963
Preferred/preference distributions	(2,318)	(2,318)	(772)	(773)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$882,450	\$877,030	\$304,838	\$297,190

(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.

(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;
- 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 sales, net of the effect of income tax benefits or expenses; and
- other miscellaneous items.

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- (3) The Company believes that FFO and FFO available to Common Shares and Units / Units are helpful to investors as supplemental measures of the operating performance of a real estate company, because they are recognized measures of performance by the real estate industry and by excluding gains or losses 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 companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company's actual operating results. FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units do not represent net income, net income available to Common Shares / Units or net cash flows from operating activities in accordance with GAAP. Therefore, FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units should not be exclusively considered as alternatives to net income, net income available to Common Shares / Units or net cash flows from operating activities as determined by GAAP or as a measure of liquidity. The Company's calculation of FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units may differ from other real estate companies due to, among other items, variations in cost capitalization policies for capital expenditures and, accordingly, may not be comparable to such other real estate companies.
- (4) FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units are calculated on a basis consistent with net income available to Common Shares / Units and reflects adjustments to net income for preferred distributions and premiums on redemption of preferred shares/preference units in accordance with GAAP. The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units are collectively referred to as the "Noncontrolling Interests –Operating Partnership". Subject to certain restrictions, the Noncontrolling Interests –Operating Partnership may exchange their OP Units for Common Shares on a one-for-one basis.

Item 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, 2016. See 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 September 30, 2017, 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 third quarter of 2017 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 September 30, 2017, the Operating Partnership carried out an evaluation, under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of EQR, of the effectiveness of the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) 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

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the Operating Partnership's evaluation referred to in Item 4(a) above that occurred during the third quarter of 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

As of September 30, 2017, the Company does not believe there is any litigation pending or threatened against it that, individually or in the aggregate, may reasonably be expected to have a material adverse effect on the Company.

Item 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, 2016.

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

(a) Unregistered Common Shares Issued in the Quarter Ended September 30, 2017 - Equity Residential

During the quarter ended September 30, 2017, EQR issued 6,146 Common Shares in exchange for 6,146 OP Units held by various limited partners of ERPOP. OP Units are generally exchangeable into Common Shares on a one-for-one basis or, at the option of ERPOP, the cash equivalent thereof, at any time one year after the date of issuance. These shares were either registered under the Securities Act of 1933, as amended (the "Securities Act"), or issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act and the rules and regulations promulgated thereunder, as these were transactions by an issuer not involving a public offering. In light of the manner of the sale and information obtained by EQR from the limited partners in connection with these transactions, EQR believes it may rely on these exemptions.

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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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 <u>Form of 3.250% Note due August 1, 2027.</u>	Included as Exhibit 4.1 to Equity Residential’s and ERP Operating Limited Partnership’s Form 8-K dated July 31, 2017, filed on August 2, 2017.
4.2 <u>Form of 4.000% Note due August 1, 2047.</u>	Included as Exhibit 4.2 to Equity Residential’s and ERP Operating Limited Partnership’s Form 8-K dated July 31, 2017, filed on August 2, 2017.
10.1 <u>Seventh Amendment to 2011 Share Incentive Plan.</u>	Attached herein.
12 <u>Computation of Ratio of Earnings to Combined Fixed Charges.</u>	Attached herein.
31.1 <u>Equity Residential – Certification of David J. Neithercut, Chief Executive Officer.</u>	Attached herein.
31.2 <u>Equity Residential – Certification of Mark J. Parrell, Chief Financial Officer.</u>	Attached herein.
31.3 <u>ERP Operating Limited Partnership – Certification of David J. Neithercut, Chief Executive Officer of Registrant’s General Partner.</u>	Attached herein.
31.4 <u>ERP Operating Limited Partnership – Certification of Mark J. Parrell, Chief Financial Officer of Registrant’s General Partner.</u>	Attached herein.
32.1 <u>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.</u>	Attached herein.
32.2 <u>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.</u>	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 Officer of Registrant’s General Partner. Attached herein.
- 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 September 30, 2017, 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.

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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: November 1, 2017 By: /s/ Mark J. Parrell
Mark J. Parrell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 1, 2017 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: November 1, 2017 By: /s/ Mark J. Parrell
Mark J. Parrell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 1, 2017 By: /s/ Ian S. Kaufman
Ian S. Kaufman
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)