

EQUITY RESIDENTIAL
Form 10-Q
October 30, 2018
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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, 2018

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)

13-3675988 (Equity Residential)

36-3894853 (ERP Operating Limited Partnership)

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

Two North Riverside Plaza, Chicago, Illinois 60606

(Address of principal executive offices) (Zip Code)

(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Equity Residential:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Small reporting company
Emerging growth company	

ERP Operating Limited Partnership:

Large accelerated filer	Accelerated filer
Non-accelerated filer	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

The number of EQR Common Shares of Beneficial Interest, \$0.01 par value, outstanding on October 26, 2018 was 368,440,623.

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EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended September 30, 2018 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, 2018 owned an approximate 96.3% ownership interest in, ERPOP. The remaining 3.7% 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 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

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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, 2018	December 31, 2017
ASSETS		
Land	\$ 5,866,457	\$ 5,996,024
Depreciable property	20,336,747	19,768,362
Projects under development	134,961	163,547
Land held for development	87,335	98,963
Investment in real estate	26,425,500	26,026,896
Accumulated depreciation	(6,494,770)	(6,040,378)
Investment in real estate, net	19,930,730	19,986,518
Investments in unconsolidated entities	57,576	58,254
Cash and cash equivalents	32,995	50,647
Restricted deposits	55,755	50,115
Other assets	465,094	425,065
Total assets	\$ 20,542,150	\$ 20,570,599
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 2,789,436	\$ 3,618,722
Notes, net	5,534,990	5,038,812
Line of credit and commercial paper	499,367	299,757
Accounts payable and accrued expenses	182,446	114,766
Accrued interest payable	69,132	58,035
Other liabilities	344,373	341,852
Security deposits	67,177	65,009
Distributions payable	206,899	192,828
Total liabilities	9,693,820	9,729,781
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	381,239	366,955
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares	37,280	37,280

authorized; 745,600 shares issued and outstanding as of September 30, 2018 and

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December 31, 2017

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

authorized; 368,409,586 shares issued and outstanding as of September 30, 2018
and

368,018,082 shares issued and outstanding as of December 31, 2017	3,684	3,680
Paid in capital	8,900,324	8,886,586
Retained earnings	1,344,825	1,403,530
Accumulated other comprehensive income (loss)	(50,689)	(88,612)
Total shareholders' equity	10,235,424	10,242,464
Noncontrolling Interests:		
Operating Partnership	233,825	226,691
Partially Owned Properties	(2,158)	4,708
Total Noncontrolling Interests	231,667	231,399
Total equity	10,467,091	10,473,863
Total liabilities and equity	\$ 20,542,150	\$ 20,570,599
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 September 30,		Quarter Ended September 30,	
	2018	2017	2018	2017
REVENUES				
Rental income	\$ 1,925,128	\$ 1,840,170	\$ 652,677	\$ 623,951
Fee and asset management	563	532	190	171
Total revenues	1,925,691	1,840,702	652,867	624,122
EXPENSES				
Property and maintenance	322,487	306,645	110,541	104,721
Real estate taxes and insurance	268,784	253,318	87,388	84,087
Property management	69,175	64,702	22,247	20,861
General and administrative	41,420	40,366	12,640	12,567
Depreciation	583,869	542,964	194,618	184,100
Impairment	702	—	702	—
Total expenses	1,286,437	1,207,995	428,136	406,336
Operating income	639,254	632,707	224,731	217,786
Interest and other income	14,860	5,708	7,864	3,945
Other expenses	(14,871)	(3,160)	(7,661)	(1,028)
Interest:				
Expense incurred, net	(321,454)	(288,579)	(111,219)	(91,145)
Amortization of deferred financing costs	(9,054)	(6,447)	(3,276)	(2,064)
Income before income and other taxes, income (loss) from investments in				
unconsolidated entities and net gain (loss) on sales of real estate properties				
and land parcels	308,735	340,229	110,439	127,494
Income and other tax (expense) benefit	(767)	(710)	(280)	(228)
Income (loss) from investments in unconsolidated entities	(2,993)	(2,153)	(985)	(398)
Net gain (loss) on sales of real estate properties	256,834	141,761	114,672	17,328
Net gain (loss) on sales of land parcels	995	19,170	—	—
Net income	562,804	498,297	223,846	144,196
Net (income) loss attributable to Noncontrolling Interests:				
Operating Partnership	(20,517)	(17,931)	(8,159)	(5,166)

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Partially Owned Properties	(1,939)	(2,354)	(750)	(801)
Net income attributable to controlling interests	540,348	478,012	214,937	138,229
Preferred distributions	(2,318)	(2,318)	(773)	(772)
Net income available to Common Shares	\$538,030	\$475,694	\$214,164	\$137,457
Earnings per share – basic:				
Net income available to Common Shares	\$1.46	\$1.30	\$0.58	\$0.37
Weighted average Common Shares outstanding	367,920	366,809	368,028	366,996
Earnings per share – diluted:				
Net income available to Common Shares	\$1.46	\$1.29	\$0.58	\$0.37
Weighted average Common Shares outstanding	383,433	382,640	383,884	382,945
Distributions declared per Common Share outstanding	\$1.62	\$1.51125	\$0.54	\$0.50375
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,	
	2018	2017	2018	2017
Comprehensive income:				
Net income	\$562,804	\$498,297	\$223,846	\$144,196
Other comprehensive income (loss):				
Other comprehensive income (loss) – derivative instruments:				
Unrealized holding gains (losses) arising during the period	24,021	5,216	12,026	1,709
Losses reclassified into earnings from other comprehensive				
income	13,902	14,019	4,595	4,768
Other comprehensive income (loss)	37,923	19,235	16,621	6,477
Comprehensive income	600,727	517,532	240,467	150,673
Comprehensive (income) attributable to Noncontrolling Interests	(23,848)	(20,983)	(9,519)	(6,201)
Comprehensive income attributable to controlling interests	\$576,879	\$496,549	\$230,948	\$144,472

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$562,804	\$498,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	583,869	542,964
Amortization of deferred financing costs	9,054	6,447
Amortization of above/below market lease intangibles	3,294	2,729
Amortization of discounts and premiums on debt	21,360	2,018
Amortization of deferred settlements on derivative instruments	13,893	14,010
Impairment	702	—
Write-off of pursuit costs	3,125	2,329
(Income) loss from investments in unconsolidated entities	2,993	2,153
Distributions from unconsolidated entities – return on capital	1,885	2,031
Net (gain) loss on sales of real estate properties	(256,834)	(141,761)
Net (gain) loss on sales of land parcels	(995)	(19,170)
Net (gain) loss on debt extinguishment	22,110	12,258
Compensation paid with Company Common Shares	22,270	19,999
Changes in assets and liabilities:		
(Increase) decrease in other assets	(18,550)	(23,024)
Increase (decrease) in accounts payable and accrued expenses	58,756	62,635
Increase (decrease) in accrued interest payable	11,097	11,865
Increase (decrease) in other liabilities	1,190	(28,250)
Increase (decrease) in security deposits	2,168	2,606
Net cash provided by operating activities	1,044,191	970,136
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(708,092)	(466,395)
Investment in real estate – development/other	(101,573)	(227,187)
Capital expenditures to real estate	(138,119)	(143,258)
Non-real estate capital additions	(3,155)	(776)
Interest capitalized for real estate under development	(4,547)	(23,164)
Proceeds from disposition of real estate, net	691,526	350,000
Investments in unconsolidated entities	(4,860)	(5,324)
Distributions from unconsolidated entities – return of capital	—	329
Net cash provided by (used for) investing activities	(268,820)	(515,775)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	\$(4,355)	\$(6,272)
Mortgage notes payable, net:		
Lump sum payoffs	(847,939)	(493,420)
Scheduled principal repayments	(4,938)	(8,771)
Net gain (loss) on debt extinguishment	(22,110)	(12,258)
Notes, net:		
Proceeds	497,010	692,466
Lump sum payoffs	—	(394,077)
Line of credit and commercial paper:		
Line of credit proceeds	1,635,000	1,845,000
Line of credit repayments	(1,635,000)	(1,845,000)
Commercial paper proceeds	9,624,610	3,891,596
Commercial paper repayments	(9,425,000)	(3,681,750)
Proceeds from (payments on) settlement of derivative instruments	1,638	1,296
Proceeds from Employee Share Purchase Plan (ESPP)	3,074	2,963
Proceeds from exercise of options	6,000	12,967
Payment of offering costs	(27)	(36)
Other financing activities, net	(48)	(40)
Contributions – Noncontrolling Interests – Partially Owned Properties	125	125
Contributions – Noncontrolling Interests – Operating Partnership	1	—
Distributions:		
Common Shares	(583,184)	(554,267)
Preferred Shares	(2,318)	(2,318)
Noncontrolling Interests – Operating Partnership	(21,040)	(20,604)
Noncontrolling Interests – Partially Owned Properties	(8,882)	(6,873)
Net cash provided by (used for) financing activities	(787,383)	(579,273)
Net increase (decrease) in cash and cash equivalents and restricted deposits	(12,012)	(124,912)
Cash and cash equivalents and restricted deposits, beginning of period	100,762	219,088
Cash and cash equivalents and restricted deposits, end of period	\$88,750	\$94,176
Cash and cash equivalents and restricted deposits, end of period		
Cash and cash equivalents	\$32,995	\$46,565
Restricted deposits	55,755	47,611

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Total cash and cash equivalents and restricted deposits, end of period	\$88,750	\$94,176
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See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$268,966	\$257,805
Net cash paid for income and other taxes	\$934	\$964
Amortization of deferred financing costs:		
Other assets	\$1,809	\$1,810
Mortgage notes payable, net	\$4,197	\$1,943
Notes, net	\$3,048	\$2,694
Amortization of discounts and premiums on debt:		
Mortgage notes payable, net	\$19,394	\$247
Notes, net	\$1,966	\$1,771
Amortization of deferred settlements on derivative instruments:		
Other liabilities	\$(9)	\$(9)
Accumulated other comprehensive income	\$13,902	\$14,019
Write-off of pursuit costs:		
Investment in real estate, net	\$3,079	\$2,292
Other assets	\$13	\$17
Accounts payable and accrued expenses	\$33	\$20
(Income) loss from investments in unconsolidated entities:		
Investments in unconsolidated entities	\$1,973	\$1,076
Other liabilities	\$1,020	\$1,077
Realized/unrealized (gain) loss on derivative instruments:		
Other assets	\$(24,021)	\$(3,803)
Notes, net	\$(1,491)	\$(1,413)
Other liabilities	\$1,491	\$—
Accumulated other comprehensive income	\$24,021	\$5,216
Investments in unconsolidated entities:		
Investments in unconsolidated entities	\$(3,180)	\$(2,324)
Other liabilities	\$(1,680)	\$(3,000)

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2018
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	\$ 3,680
Exercise of share options	2
Employee Share Purchase Plan (ESPP)	1
Share-based employee compensation expense:	
Restricted shares	1
Balance, end of period	\$ 3,684
PAID IN CAPITAL	
Balance, beginning of year	\$ 8,886,586
Common Share Issuance:	
Conversion of OP Units into Common Shares	356
Exercise of share options	5,998
Employee Share Purchase Plan (ESPP)	3,073
Share-based employee compensation expense:	
Restricted shares	6,803
Share options	9,206
ESPP discount	604
Offering costs	(27)
Supplemental Executive Retirement Plan (SERP)	(533)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	(14,361)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	2,619
Balance, end of period	\$ 8,900,324
RETAINED EARNINGS	
Balance, beginning of year	\$ 1,403,530
Net income attributable to controlling interests	540,348
Common Share distributions	(596,735)
Preferred Share distributions	(2,318)
Balance, end of period	\$ 1,344,825
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	

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Balance, beginning of year	\$ (88,612)
Accumulated other comprehensive income (loss) – derivative instruments:	
Unrealized holding gains (losses) arising during the period	24,021
Losses reclassified into earnings from other comprehensive income	13,902
Balance, end of period	\$ (50,689)

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, 2018
NONCONTROLLING INTERESTS	
OPERATING PARTNERSHIP	
Balance, beginning of year	\$ 226,691
Issuance of restricted units to Noncontrolling Interests	1
Conversion of OP Units held by Noncontrolling Interests into OP Units held by	
General Partner	(356)
Equity compensation associated with Noncontrolling Interests	11,074
Net income attributable to Noncontrolling Interests	20,517
Distributions to Noncontrolling Interests	(21,560)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	77
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(2,619)
Balance, end of period	\$ 233,825
PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	\$ 4,708
Net income attributable to Noncontrolling Interests	1,939
Contributions by Noncontrolling Interests	125
Distributions to Noncontrolling Interests	(8,930)
Balance, end of period	\$ (2,158)

See accompanying notes

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ERP OPERATING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Land	\$ 5,866,457	\$ 5,996,024
Depreciable property	20,336,747	19,768,362
Projects under development	134,961	163,547
Land held for development	87,335	98,963
Investment in real estate	26,425,500	26,026,896
Accumulated depreciation	(6,494,770)	(6,040,378)
Investment in real estate, net	19,930,730	19,986,518
Investments in unconsolidated entities	57,576	58,254
Cash and cash equivalents	32,995	50,647
Restricted deposits	55,755	50,115
Other assets	465,094	425,065
Total assets	\$ 20,542,150	\$ 20,570,599
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net	\$ 2,789,436	\$ 3,618,722
Notes, net	5,534,990	5,038,812
Line of credit and commercial paper	499,367	299,757
Accounts payable and accrued expenses	182,446	114,766
Accrued interest payable	69,132	58,035
Other liabilities	344,373	341,852
Security deposits	67,177	65,009
Distributions payable	206,899	192,828
Total liabilities	9,693,820	9,729,781
Commitments and contingencies		
Redeemable Limited Partners	381,239	366,955
Capital:		
Partners' Capital:		
Preference Units	37,280	37,280
General Partner	10,248,833	10,293,796
Limited Partners	233,825	226,691
Accumulated other comprehensive income (loss)	(50,689)	(88,612)

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Total partners' capital	10,469,249	10,469,155
Noncontrolling Interests – Partially Owned Properties	(2,158)	4,708
Total capital	10,467,091	10,473,863
Total liabilities and capital	\$ 20,542,150	\$ 20,570,599

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,	
	2018	2017	2018	2017
REVENUES				
Rental income	\$ 1,925,128	\$ 1,840,170	\$ 652,677	\$ 623,951
Fee and asset management	563	532	190	171
Total revenues	1,925,691	1,840,702	652,867	624,122
EXPENSES				
Property and maintenance	322,487	306,645	110,541	104,721
Real estate taxes and insurance	268,784	253,318	87,388	84,087
Property management	69,175	64,702	22,247	20,861
General and administrative	41,420	40,366	12,640	12,567
Depreciation	583,869	542,964	194,618	184,100
Impairment	702	—	702	—
Total expenses	1,286,437	1,207,995	428,136	406,336
Operating income	639,254	632,707	224,731	217,786
Interest and other income	14,860	5,708	7,864	3,945
Other expenses	(14,871)	(3,160)	(7,661)	(1,028)
Interest:				
Expense incurred, net	(321,454)	(288,579)	(111,219)	(91,145)
Amortization of deferred financing costs	(9,054)	(6,447)	(3,276)	(2,064)
Income before income and other taxes, income (loss) from investments in				
unconsolidated entities and net gain (loss) on sales of real estate properties				
and land parcels	308,735	340,229	110,439	127,494
Income and other tax (expense) benefit	(767)	(710)	(280)	(228)
Income (loss) from investments in unconsolidated entities	(2,993)	(2,153)	(985)	(398)
Net gain (loss) on sales of real estate properties	256,834	141,761	114,672	17,328
Net gain (loss) on sales of land parcels	995	19,170	—	—
Net income	562,804	498,297	223,846	144,196
Net (income) loss attributable to Noncontrolling Interests – Partially Owned	(1,939)	(2,354)	(750)	(801)

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Properties				
Net income attributable to controlling interests	\$560,865	\$495,943	\$223,096	\$143,395
ALLOCATION OF NET INCOME:				
Preference Units	\$2,318	\$2,318	\$773	\$772
General Partner	\$538,030	\$475,694	\$214,164	\$137,457
Limited Partners	20,517	17,931	8,159	5,166
Net income available to Units	\$558,547	\$493,625	\$222,323	\$142,623
Earnings per Unit – basic:				
Net income available to Units	\$1.46	\$1.30	\$0.58	\$0.37
Weighted average Units outstanding	380,791	379,716	380,912	379,906
Earnings per Unit – diluted:				
Net income available to Units	\$1.46	\$1.29	\$0.58	\$0.37
Weighted average Units outstanding	383,433	382,640	383,884	382,945
Distributions declared per Unit outstanding	\$1.62	\$1.51125	\$0.54	\$0.50375
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		Quarter Ended	
	Ended		September 30,	September 30,
	September 30,	September 30,	2018	2017
	2018	2017	2018	2017
Comprehensive income:				
Net income				