

EQUITY RESIDENTIAL
Form 10-K
February 23, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended DECEMBER 31, 2016
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 (312) 474-1300
(Address of principal executive offices) (Zip Code) (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Shares of Beneficial Interest, \$0.01 Par Value (Equity Residential)	New York Stock Exchange
7.57% Notes due August 15, 2026 (ERP Operating Limited Partnership)	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None (Equity Residential)
Units of Limited Partnership Interest (ERP Operating Limited Partnership)
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Equity Residential Yes No ERP Operating Limited Partnership Yes No

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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Equity Residential Yes No ERP Operating Limited Partnership Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Equity Residential ERP Operating Limited Partnership

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

Equity Residential:

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

ERP Operating Limited Partnership:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Equity Residential Yes No ERP Operating Limited Partnership Yes No

The aggregate market value of Common Shares held by non-affiliates of the Registrant was approximately \$24.8 billion based upon the closing price on June 30, 2016 of \$68.88 using beneficial ownership of shares rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting shares owned by Trustees and Executive Officers, some of whom may not be held to be affiliates upon judicial determination.

The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on February 17, 2017 was 367,097,667.

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DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information that will be contained in Equity Residential's Proxy Statement relating to its 2017 Annual Meeting of Shareholders, which Equity Residential intends to file no later than 120 days after the end of its fiscal year ended December 31, 2016, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.2% owner of ERP Operating Limited Partnership.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2016 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 December 31, 2016 owned an approximate 96.2% ownership interest in, ERPOP. The remaining 3.8% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management. 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-K 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-

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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 and development joint venture partners. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and limited partner OP Unit holders of the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity issued at the Company and Operating Partnership levels.

To help investors understand the 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 II, Item 9A. 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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ERP OPERATING LIMITED PARTNERSHIP
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PART I

Item 1. Business

General

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 affluent 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 December 31, 2016 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues public equity from time to time, 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 December 31, 2016, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 302 properties located in 10 states and the District of Columbia consisting of 77,458 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	280	72,445
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	17	3,215
Partially Owned Properties – Unconsolidated	2	945
	302	77,458

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 December 31, 2016, the Company had approximately 2,700 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

Certain capitalized terms used herein are defined in the Notes to Consolidated Financial Statements. See also Note 17 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

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

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

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High home ownership costs;

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

Urban core and high-density suburban locations with an attractive quality of life leading to high resident demand and retention;

Favorable demographics contributing to a larger pool of target residents with a high propensity to rent apartments; and Higher barriers to entry where, because of land scarcity or government regulation, it is typically more difficult or costly to build new apartment properties, creating limits on new supply.

We believe our strategy also capitalizes on the increasing preference of renters of all ages to live in the urban core of cities or dense suburban locations near transit, entertainment and cultural amenities. Millennials, the 83 million people between ages 18 and 34, are a prime apartment rental demographic. Reports also show a growing trend among aging Baby Boomers, a demographic of more than 76 million people between the ages of 53 and 71, toward apartment rentals. We believe that both groups appreciate the locational values described above as well as the flexibility that rental apartments offer.

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

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

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture agreements. In addition, the Company may acquire properties in transactions that include the issuance of partnership interests in the Operating Partnership ("OP Units") as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. As part of its strategy, the Company purchases completed and fully occupied apartment properties, partially completed or partially occupied properties and may acquire land parcels to hold and/or sell based on market opportunities as well as options to buy more land in the future. The Company may also seek to acquire properties by purchasing defaulted or distressed debt that encumbers desirable properties in the hope of obtaining title to property through foreclosure or deed-in-lieu of foreclosure proceedings.

Over the past several years, the Company has done an extensive repositioning of its portfolio into urban and highly walkable, close-in suburban assets. Since 2005, the Company has sold nearly 198,000 apartment units primarily located in the less dense portions of suburban markets for an aggregate sales price of approximately \$23.5 billion, acquired nearly 69,000 apartment units primarily located in urban and high-density suburban markets for approximately \$20.0 billion and began approximately \$5.7 billion of development projects primarily located in urban and high-density suburban markets. We are currently seeking to acquire and develop assets in the following six core coastal metropolitan areas: Boston, New York, Washington D.C., Southern California, San Francisco and Seattle. The sale of the Starwood Portfolio (as defined below) combined with the other 2016 dispositions has resulted in the Company's exit from the South Florida, Denver and New England (excluding Boston) markets and has substantially completed the Company's portfolio transformation which started approximately ten years ago. See further discussion below regarding the Company's 2016 disposition activity.

We endeavor to attract and retain the best employees by providing them with the education, resources and opportunities to succeed. We have a commitment to diversity in all of its forms and strive to promote and maintain a work environment where all employees are treated with dignity and respect, offered opportunities for professional development and valued for their unique contributions to the Company's success. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensively train our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or junior positions. We monitor our employees' engagement by surveying them annually and have consistently received high engagement scores.

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We have a commitment to sustainability and consider the environmental impacts of our business activities. Sustainability and social responsibility are key drivers of our focus on creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban and close-in suburban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water usage by investing in energy saving technology while positively impacting the experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. The Company was named the 2016 Global Residential Listed Sector Leader in Sustainability by GRESB, a globally recognized analysis of the sustainability indicators of more than 750 real estate portfolios worldwide. The Company was also recently awarded the Residential Leader in the Light award for sustainability by the National Association of Real Estate Investment Trusts ("NAREIT"). For additional information regarding our sustainability efforts, see our December 2016 Corporate Social Responsibility and Sustainability Report at our website, www.equityapartments.com. For 2017, we continue to have an express company-wide goal regarding enhanced sustainability efforts. Employees, including our executives, will have their performance against our various social responsibility goals evaluated as part of our annual performance review process.

Competition

All of the Company's properties are located in developed areas that include other multifamily properties. The number of competitive multifamily properties in a particular area could have a material effect on the Company's ability to lease apartment units at its properties and on the rents charged. The Company may be competing with other entities that have greater resources than the Company and whose managers have more experience than the Company's managers. In addition, other forms of rental properties and single family housing provide housing alternatives to potential residents of multifamily properties. See Item 1A. Risk Factors for additional information with respect to competition.

Starwood Transaction

Following the approval by the Company's Board of Trustees, 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"). On January 26 and 27, 2016, the Company closed on the sale of the entire portfolio described above. The sale of the Starwood Portfolio, combined with the other 2016 dispositions, has resulted in the Company's exit from the South Florida, Denver and New England (excluding Boston) markets and has substantially completed the Company's portfolio transformation which started approximately ten years ago. These sales have narrowed the Company's focus, which is now entirely directed towards our six coastal markets. We believe the assets sold will have lower long-term returns (as compared to investments in our six coastal markets) and that we sold them for prices that are favorable. Given the strong demand for multifamily assets in our six coastal markets from institutional investors and the challenge in recycling \$6.8 billion of capital in this competitive marketplace, the Company believed the best risk-adjusted use of the sale proceeds was to distribute a portion to our shareholders and use the remainder to repay outstanding debt (see further discussion below).

The Company used the majority of the proceeds from the Starwood Transaction and other 2016 dispositions to pay two special dividends to its shareholders and holders of OP Units of \$11.00 per share/unit in the aggregate. The Company paid special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per

share/unit (approximately \$1.1 billion) on October 14, 2016. The Company used the majority of the remaining proceeds to reduce aggregate indebtedness in order to make the transaction leverage neutral. The Company retired approximately \$2.0 billion in secured and unsecured debt, the majority of which was scheduled to mature in 2016 and 2017, improving the Company's already strong credit metrics.

Debt and Equity Activity

EQR issues public equity from time to time and guarantees certain debt of ERPOP. EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. In addition, ERPOP issues OP Units and preference interests ("Preference Units") from time to time.

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's and the Operating Partnership's Capital Structure charts as of December 31, 2016.

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Major Debt and Equity Activities for the Years Ended December 31, 2016, 2015 and 2014

During 2016:

- The Company repaid \$440.8 million of 6.256% mortgage debt held in a Fannie Mae loan pool maturing in 2017 and incurred a prepayment penalty of approximately \$29.3 million;
- The Company repaid \$65.5 million of various tax-exempt mortgage bonds maturing in 2026 through 2037 and incurred a prepayment penalty of approximately \$0.2 million
- The Company repaid \$75.9 million of conventional fixed-rate mortgage loans and incurred prepayment penalties of approximately \$2.2 million;
- The Company repaid \$0.9 million of conventional floating-rate mortgage loans;
- The Company repaid \$8.5 million of scheduled principal repayments on various mortgage debt;
- The Company assumed \$43.4 million of mortgage debt on one acquired property;
- The Company repaid \$228.9 million of 5.125% unsecured notes maturing in 2016 and incurred a prepayment penalty of approximately \$1.4 million and repaid the remaining \$271.1 million of 5.125% unsecured notes at maturity;
 - The Company repaid \$400.0 million of 5.375% unsecured notes maturing in 2016 and incurred a prepayment penalty of approximately \$9.5 million;
- The Company repaid \$255.9 million of 5.750% unsecured notes maturing in 2017 and incurred a prepayment penalty of approximately \$16.5 million;
- The Company repaid \$46.1 million of 7.125% unsecured notes maturing in 2017 and incurred a prepayment penalty of approximately \$4.6 million;
- The Company repaid \$250.0 million of 4.625% unsecured notes maturing in 2021 and incurred a prepayment penalty of approximately \$31.6 million;
 - The Company repaid \$48.0 million of 7.570% unsecured notes maturing in 2026 and incurred a prepayment penalty of approximately \$19.3 million;
- The Company issued \$500.0 million of ten-year 2.85% fixed rate public notes, receiving net proceeds of \$496.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of approximately 3.10% after termination of a forward starting swap in conjunction with the issuance (see Note 9 in the Notes to Consolidated Financial Statements for further discussion);
- The Company issued 815,044 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$35.8 million; and
- The Company issued 63,909 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$3.7 million.

During 2015:

- The Company repaid \$368.5 million of mortgage debt;
- The Company repaid \$300.0 million of 6.584% unsecured notes at maturity;
- The Company issued \$450.0 million of ten-year 3.375% fixed rate public notes, receiving net proceeds of \$447.5 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 3.81% after termination of various forward starting swaps in conjunction with the issuance (see Note 9 in the Notes to Consolidated Financial Statements for further discussion);
- The Company issued \$300.0 million of thirty-year 4.50% fixed rate public notes, receiving net proceeds of \$298.9 million before underwriting fees and other expenses, at an all-in effective interest rate of 4.55%;
- The Company issued 1,456,363 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$59.5 million;
- The Company issued 68,462 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$4.4 million; and

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The Company repurchased and retired 254,400 of its Series K Cumulative Redeemable Preferred Shares with a par value of \$12.7 million for total cash consideration of approximately \$16.3 million inclusive of premiums and accrued dividends through the redemption date.

During 2014:

- The Company assumed \$28.9 million of mortgage debt on one property;
- The Company repaid \$100.7 million of mortgage debt;

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• The Company repaid \$500.0 million of 5.250% unsecured notes at maturity;

• The Company repaid its \$750.0 million unsecured term loan facility in conjunction with the note issuances discussed below;

• The Company issued \$450.0 million of five-year 2.375% fixed rate public notes, receiving net proceeds of \$449.6 million before underwriting fees and other expenses, at an all-in effective interest rate of 2.52% and swapped the notes to a floating interest rate in conjunction with the issuance (see Note 9 in the Notes to Consolidated Financial Statements for further discussion);

• The Company issued \$750.0 million of thirty-year 4.50% fixed rate public notes, receiving net proceeds of \$744.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 4.57% after termination of various forward starting swaps in conjunction with the issuance (see Note 9 in the Notes to Consolidated Financial Statements for further discussion);

• The Company issued 2,086,380 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$82.6 million;

• The Company issued 68,807 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$3.4 million; and

• The Company repurchased and retired 31,240 of its Common Shares at a price of \$56.87 per share for total consideration of \$1.8 million (all related to the vesting of employee restricted shares). See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

EQR and ERPOP currently have an active universal shelf registration statement for the issuance of equity and debt securities that automatically became effective upon filing with the SEC on June 28, 2016 and expires on June 28, 2019. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

Credit Facilities

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.

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.

The Company's previous \$2.5 billion unsecured revolving credit facility was set to mature on April 2, 2018. The Company had the ability to increase available borrowings by an additional \$500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the facility was generally LIBOR plus a spread (was 0.95% at termination), or based on bids received from the lending group, and the Company paid an annual facility fee (was 15 basis points at termination). Both the spread and the facility fee were 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 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. The Company does not intend to borrow more than

\$2.0 billion on the commercial paper program and new revolving credit facility combined. As of February 17, 2017, there was a balance of \$100.0 million outstanding on the commercial paper program. As of December 31, 2016, there was a balance of \$20.0 million outstanding on the commercial paper program. As of December 31, 2015, there was a balance of \$387.3 million on the commercial paper program (\$387.5 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 0.90% and 0.56% for the years ended December 31, 2016 and 2015, respectively, and a weighted average maturity of 4 days and 19 days as of December 31, 2016 and 2015, respectively.

As of February 17, 2017, no amounts were outstanding and the amount available on the revolving credit facility was \$1.88 billion (net of \$20.6 million which was restricted/dedicated to support letters of credit and net of the \$100.0 million outstanding

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on the commercial paper program). As of December 31, 2016, the amount available on the revolving credit facility was \$1.96 billion (net of \$20.6 million which was restricted/dedicated to support letters of credit and net of the \$20.0 million outstanding on the commercial paper program). During the year ended December 31, 2016, the weighted average interest rate on the revolving credit facility was 1.37%. As of December 31, 2015, the amount available on the revolving credit facility was \$2.07 billion (net of \$45.1 million which was restricted/dedicated to support letters of credit and net of the \$387.5 million outstanding on the commercial paper program). During the year ended December 31, 2015, the weighted average interest rate on the revolving credit facility was 1.07%.

Environmental Considerations

See Item 1A. Risk Factors for information concerning the potential effects of environmental regulations on our operations.

Item 1A. Risk Factors

General

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. Unless otherwise indicated, when used in this section, the terms "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP and the term "Operating Partnership" means collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. This Item 1A. includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The occurrence of the events discussed in the following risk factors could adversely affect, possibly in a material manner, our business, financial condition or results of operations, which could adversely affect the value of our common shares of beneficial interest or preferred shares of beneficial interest (which we refer to collectively as "Shares"), Preference Units, OP Units, restricted units and our public unsecured debt. In this section, we refer to the Shares, Preference Units, OP Units, restricted units and public unsecured debt together as our "securities" and the investors who own such securities as our "security holders".

Our performance and securities value are subject to risks associated with the real estate industry.

General

Real property investments are subject to varying degrees of risk and are relatively illiquid. Numerous factors may adversely affect the economic performance and value of our properties and the ability to realize that value. These factors include changes in the global, national, regional and local political and economic climates, local conditions such as an oversupply of multifamily properties or a reduction in demand for our multifamily properties, the attractiveness of our properties to residents, competition from other multifamily properties and single family homes (both as rentals and owned housing) and changes in market rental rates. Our performance also depends on our ability to collect rent from residents and to pay for adequate maintenance, insurance and other operating costs, including real estate taxes, all of which could increase over time. These operating expenses could rise faster than our revenues causing our income to decline. In circumstances where we buy or sell properties, including large portfolios of properties, overhead (property management expense and general and administrative expense) may not increase/decrease proportionally with the associated changes in revenue. Costs of labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and

competition cause a reduction in income from the property.

We may be unable to renew leases or relet units as leases expire.

When our residents decide to leave our apartments, we may not be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected. If residents do not experience increases in their income, we may be unable to increase rent and/or delinquencies may increase. 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, governmental

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regulations, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond our control. In addition, various state and local municipalities have enacted and may continue to enact rent control legislation or take other actions which could limit our ability to raise rents. Finally, the federal government's policies, many of which may encourage home ownership, can increase competition and possibly limit our ability to raise rents. Consequently, our cash flow and ability to service debt and make distributions to security holders could be reduced.

The retail/commercial space at our properties primarily serves as an additional amenity for our residents and neighbors. The long term nature of our retail/commercial leases (generally five to ten years with market based renewal options) and the characteristics of many of our tenants (generally small, local businesses) may subject us to certain risks. We may not be able to lease new space for rents that are consistent with our projections or for market rates. Also, when leases for our existing retail/commercial space expire, the space may not be relet or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the current lease terms. Our properties compete with other properties with retail/commercial space. The presence of competitive alternatives may affect our ability to lease space and the level of rents we can obtain. If our retail/commercial tenants experience financial distress or bankruptcy, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations which could adversely impact our results of operations and financial condition. The revenues from our retail/commercial space represent approximately 4.5% of our total rental income.

We have increased our concentration of properties in our core markets, which could have an adverse effect on our operations if a particular market is adversely affected by economic or other conditions.

Over the past ten years, the Company has exited its non-core markets as part of its strategy to reposition its portfolio, leaving the Company highly concentrated in its six core coastal markets. If any one or more of our core markets (Boston, New York, Washington D.C., Southern California, San Francisco and Seattle) is adversely affected by local or regional economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors) or local real estate conditions (such as oversupply of or reduced demand for multifamily properties), such conditions may have an increased adverse impact on our results of operations than if our portfolio were more geographically diverse.

Because real estate investments are illiquid, we may not be able to sell properties when appropriate.

Real estate investments generally cannot be sold quickly. We may not be able to reconfigure our portfolio promptly in response to economic or other conditions. We may be unable to consummate such dispositions in a timely manner, on attractive terms, or at all. This inability to reallocate our capital promptly could adversely affect our financial condition and ability to make distributions to our security holders.

New acquisitions, development projects and/or rehabs may fail to perform as expected and competition for acquisitions may result in increased prices for properties that we would like to acquire.

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.

In connection with such government regulation, we may incur liability if our properties are not constructed and operated in compliance with the accessibility provisions of the Americans with Disabilities Act, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in fines, subject us to lawsuits and require us to remediate or repair the noncompliance.

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Development and construction risks could affect our profitability.

We intend to continue to develop multifamily properties. These activities can include long planning and entitlement timelines and can involve complex and costly activities, including significant environmental remediation or construction work in high-density urban and close-in suburban areas. We may abandon opportunities (including land that we have optioned for purchase) that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses or option payments already incurred in exploring those opportunities. The occupancy rates and rents at a property may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing properties. We may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities.

We own certain properties subject to ground leases that may limit our use of the properties, restrict our ability to finance, sell or otherwise transfer our interests in these properties and expose us to loss of the properties if such agreements are breached by us or terminated.

The Company owns the building and improvements and leases the land underlying the improvements under several long-term ground leases. These ground leases may impose limitations on our use of the properties, restrict our ability to finance, sell or otherwise transfer our interests in the properties or restrict the leasing of the properties. These restrictions may limit our ability to timely sell or exchange the properties, impair the properties' value or negatively impact our ability to find suitable residents for the properties. In addition, we could lose our interests in the properties if the ground leases are breached by us or terminated. Certain of these ground leases have payments subject to annual escalations and/or periodic fair market value adjustments which could adversely affect our financial condition or results of operations.

Our investments in joint ventures could be adversely affected by our lack of sole decision-making authority regarding major decisions, our reliance on our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners.

We currently do and may continue in the future to develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. We have several joint ventures with other real estate investors. Joint venture investments involve risks not present with respect to our wholly owned properties, including the following:

- our joint venture partners might experience financial distress, become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- we may be responsible to our partners for indemnifiable losses;
- our joint venture partners may have business interests or goals with respect to a property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- we may be unable to take actions that are opposed by our joint venture partners under arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;

our joint venture partners may take actions that we oppose;

- our ability to sell or transfer our interest in a joint venture to a third party may be restricted without prior consent of our joint venture partners;

we may disagree with our joint venture partners about decisions affecting a property or the joint venture, which could result in litigation or arbitration that increases our expenses, distracts our officers and disrupts the day-to-day operations of the property, including by delaying important decisions until the dispute is resolved; and

we may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments.

At times we have entered into agreements providing for joint and several liability with our partners. We also have in the past and could choose in the future to guarantee part of or all of certain joint venture debt. Frequently, we and our partners may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction. Any of these risks could materially and adversely affect

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our ability to generate and recognize attractive returns on our joint venture investments, which could have a material adverse effect on our results of operations, financial condition and distributions to our shareholders.

Several of the assets we acquired in the Archstone transaction along with certain preferred interests acquired in joint ventures as part of the Archstone transaction, as well as certain other tax protected properties we have acquired over the years, are subject to tax protection agreements, which could limit our flexibility with respect to our ownership of such assets or cause us to incur material costs.

Several of the assets we acquired from Archstone Enterprise LP ("Archstone") in February 2013 were contributed to Archstone subject to various agreements limiting the ability of the owner of the property to take actions that would trigger income tax liability for the contributing owner of the property, including a taxable disposition of the property. In addition, we will also be required to maintain a certain amount of qualified nonrecourse financing on the tax protected properties during their respective restricted periods. Our obligations relating to these tax protected properties (as well as certain other tax protected properties we have acquired over the years) may affect the way in which we conduct our business, including whether, when and under what circumstances we sell properties or interests therein and the timing and nature of our financings and refinancing transactions. As a result, we may not be able to dispose of or refinance the tax protected properties when to do so may have otherwise been favorable to us and our shareholders, which could have a material adverse effect on our results of operations and financial condition. Certain preferred interests acquired in joint ventures as part of the Archstone transaction have complex tax requirements that, if violated, may cause us to be required to indemnify the preferred stockholders or our joint venture partner for certain tax protection costs.

Changes in market conditions and volatility of share prices could adversely affect the market price of our Common Shares.

The stock markets, including the New York Stock Exchange, on which we list our Common Shares, have experienced significant price and volume fluctuations over time. As a result, the market price of our Common Shares could be similarly volatile, and investors in our Common Shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The market price of our Common Shares may decline or fluctuate significantly in response to many factors, including but not limited to the following:

- general political, market and economic conditions;
- actual or anticipated variations in our guidance, quarterly operating results or dividends;
- changes in our net operating income ("NOI"), earnings, funds from operations or normalized funds from operations estimates;
- difficulties or inability to access capital or extend or refinance debt;
- large portfolio acquisitions or dispositions;
- decreasing (or uncertainty in) real estate valuations;
 - rising crime rates in markets where our primarily urban and close-in suburban portfolio is concentrated;
- a change in analyst and/or credit ratings;
- adverse market reaction to any additional debt we incur in the future;
- governmental regulatory action, including changes or proposed changes to the mandates of Fannie Mae or Freddie Mac, and changes in tax laws;
- the payment of any special dividends;
- the issuance of additional Common Shares, or the perception that such issuances might occur, including under EQR's At-The-Market ("ATM") share offering program; and
-

the resale of substantial amounts of our common shares, or the anticipation of the resale of such shares, by large holders of our securities.

Issuances or sales of our Common Shares may be dilutive.

The issuance or sale of substantial amounts of our Common Shares, whether directly by us or in the secondary market, the perception that such issuances or sales of our Common Shares could occur or the availability for future issuance or sale of our Common Shares or securities convertible into or exchangeable or exercisable for our Common Shares could have a dilutive effect on our actual and expected earnings per share, funds from operations (“FFO”) per share and Normalized FFO per share. The actual amount of dilution cannot be determined at this time and would be dependent upon numerous factors which are not currently known to us.

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We may not have sufficient cash flows from operations after capital expenditures to cover our distributions and our dividend policy may lead to quicker dividend reductions.

We generally consider our cash flows provided by operating activities after capital expenditures to be adequate to meet operating requirements and payment of regular distributions to our security holders. While our current dividend policy makes it less likely that we will over distribute, it will also lead to a dividend reduction more quickly should operating results deteriorate or large portfolio sales occur. However, whether due to changes in the dividend policy or otherwise, there may be times when we experience shortfalls in our coverage of distributions, which may cause us to consider reducing our distributions and/or using the proceeds from property dispositions or additional financing transactions to make up the difference. Should these shortfalls occur for lengthy periods of time or be material in nature, our financial condition may be adversely affected and we may not be able to maintain our current distribution levels. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for additional discussion regarding our dividend policy.

The value of investment securities could result in losses to the Company.

From time to time, the Company holds investment securities and/or cash investments that have various levels of repayment and liquidity risk, including government obligations and bond funds, money market funds or bank deposits. On occasion we also may purchase securities of companies in our own industry as a means to invest funds. There may be times when we experience declines in the value of these investment securities, which may result in losses to the Company and our financial condition or results of operations could be adversely affected. Sometimes the cash we deposit at a bank substantially exceeds the FDIC insurance limit or we invest cash in money market or similar type funds with investment management institutions that may be subject to, now or in the future, liquidity and/or withdrawal restrictions, resulting in risk to the Company of loss or lack of immediate availability of funds if these banks or institutions fail to meet their obligations.

Any weaknesses identified in our internal control over financial reporting could have an adverse effect on our share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. If we identify one or more material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which in turn could have an adverse effect on our share price.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our reputation and business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information, including information regarding our residents and employees. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced to third party service providers. In addition, information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber attacks. Our primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships and private data exposure. We have implemented processes, procedures and controls to help

mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Changes in laws and litigation risk could affect our business.

We are generally not able to pass through to our residents under existing leases any real estate or other federal, state or local taxes. Consequently, any such tax increases may adversely affect our financial condition and limit our ability to make distributions to our security holders.

We may become involved in legal proceedings, including but not limited to, proceedings related to consumer, shareholder, securities, employment, environmental, development, condominium conversion, tort and commercial legal issues that, if decided adversely to or settled by us, could result in liability material to our financial condition or results of operations.

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Environmental problems are possible and can be costly.

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Substantially all of our properties have been the subject of environmental assessments completed by qualified independent environmental consulting companies. While these environmental assessments have not revealed, nor are we aware of, any environmental liability that our management believes would have a material adverse effect on our business, results of operations, financial condition or liquidity, there can be no assurance that we will not incur such liabilities in the future.

We are aware that some of our properties have lead paint and have implemented an operations and maintenance program at each of those properties. While we do not currently anticipate that we will incur any material liabilities as a result of the presence of lead paint at our properties, there can be no assurance that we will not incur such liabilities in the future.

There have been a number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate. While we have adopted programs designed to minimize the existence of mold in any of our properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on our residents or the property, should mold become an issue in the future, our financial condition or results of operations may be adversely affected.

We cannot be assured that existing environmental assessments of our properties reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any of our properties.

Insurance policies can be costly and may not cover all losses, which may adversely affect our financial condition or results of operations.

As of December 31, 2016, the Company's property insurance policies provide for a per occurrence deductible of \$250,000. Earthquake losses are subject to a 2% deductible in the state of Washington and a 5% deductible in California, applied to the values of the buildings involved in the loss. The Company also typically self-insures a substantial portion of the first \$50 million of a property loss in excess of these base deductibles. Should a claim exceed these amounts, it would be 100% covered by insurance. Furthermore, the Company purchased additional coverage in the event that the Company suffers multiple non-catastrophic occurrences with losses from \$25 million to \$50 million within the same policy year. The Company's general liability and worker's compensation policies at December 31, 2016 provide for a \$2.0 million and \$1.0 million per occurrence deductible, respectively. These higher deductible and self-insured retention amounts do expose the Company to greater potential for uninsured losses. The Company also has become more susceptible to large losses as it has transformed its portfolio, becoming more concentrated in fewer, more valuable assets over a smaller geographical footprint. Furthermore, the potential impact of

climate change, increased severe weather or earthquakes could cause a significant increase in insurance premiums and deductibles, or a decrease in the availability of coverage, either of which could expose the Company to even greater uninsured losses which may adversely affect our financial condition or results of operations.

The Company also has \$750.0 million in terrorism insurance coverage, with a \$100,000 deductible. This coverage excludes losses from nuclear, biological and chemical attacks. In the event of a terrorist attack impacting one or more of our properties, we could lose the revenues from the property, our capital investment in the property and possibly face liability claims from residents or others suffering injuries or losses.

As of December 31, 2016, the Company's cyber liability insurance policy provides for a \$5.0 million policy aggregate limit and a per occurrence deductible of \$250,000. Cyber liability insurance generally covers costs associated with the wrongful release, through inadvertent breach or network attack, of personally identifiable information such as social security or credit card numbers. This cyber policy would cover the cost of victim notification, credit monitoring and other crisis response expenses.

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The Company relies on third party insurance providers for its property, general liability and worker's compensation insurance. While there has yet to be any non-performance by these major insurance providers, should any of them experience liquidity issues or other financial distress, it could negatively impact the Company. In addition, the Company annually assesses its insurance needs based on the cost of coverage and other factors. We may choose to self insure a greater portion of this risk in the future or may choose to have higher deductibles or lesser policy terms.

Damage from catastrophic weather and other natural events and climate change could result in losses to the Company.

Certain of our properties are located in areas that may experience catastrophic weather and other natural events from time to time, including fires, snow or ice storms, windstorms or hurricanes, earthquakes, flooding or other severe weather. These adverse weather and natural events could cause substantial damages or losses to our properties which could exceed our insurance coverage. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, as well as anticipated future revenue from that property. We could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

To the extent that significant changes in the climate occur in areas where our properties are located, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, including destruction of our properties, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected.

In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require us to spend more on our new development properties without a corresponding increase in revenue.

The inability of Lehman to fulfill its indemnification obligations to us under the purchase agreement for the Archstone transaction could increase our liabilities and adversely affect our results of operations and financial condition.

In addition to certain indemnification obligations of each party to the purchase agreement for the Archstone transaction relating to breaches of fundamental representations and warranties and breaches of covenants and certain other specified matters, we negotiated as a term in the purchase agreement that Lehman Brothers Holdings Inc. ("Lehman") retain responsibility for and indemnify us against damages resulting from certain third-party claims or other liabilities. These third-party claims and other liabilities include, without limitation, costs associated with various litigation matters. Lehman filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in September 2008 and is currently in the process of post-petition liquidation. If Lehman completes its liquidation prior to the termination of their indemnity obligations to us under the purchase agreement, or otherwise distributes substantially all of its assets to its creditors prior to such time, Lehman may not be able to satisfy its obligations with respect to claims and retained liabilities covered by the purchase agreement. The failure of Lehman to satisfy such obligations could have a material adverse effect on our results of operations and financial condition because claimants may successfully assert that we are liable for those claims and/or retained liabilities. In addition, we expect that certain obligations of Lehman to indemnify us will terminate upon expiration of the applicable indemnification period (generally no more than four years following the closing, which will be February 27, 2017). The assertion of third-party claims after the expiration of the applicable indemnification period, or the failure of Lehman to satisfy its indemnification obligations, could have a material adverse effect on our results of operations and financial condition.

Non-performance by our operating counterparties could adversely affect our performance.

We have relationships with and, from time to time, we execute transactions with or receive services from many counterparties. As a result, defaults by counterparties could result in services not being provided, or volatility in the financial markets could affect counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may adversely affect our business and results of operations.

Debt financing and preferred shares/preference units could adversely affect our performance.

General

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's total debt and unsecured debt summaries as of December 31, 2016.

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In addition to debt, we have a liquidation value of \$37.3 million of outstanding preferred shares of beneficial interest/preference units with a dividend preference of 8.29% per annum as of December 31, 2016. Our use of debt and preferred equity financing creates certain risks, including the following:

Disruptions in the financial markets could adversely affect our ability to obtain debt financing and impact our acquisitions and dispositions.

Dislocations and liquidity disruptions in capital and credit markets could impact liquidity in the debt markets, resulting in financing terms that are less attractive to us and/or the unavailability of certain types of debt financing. Should the capital and credit markets experience volatility and the availability of funds again become limited, or be available only on unattractive terms, we will incur increased costs associated with issuing debt instruments. In addition, it is possible that our ability to access the capital and credit markets may be limited or precluded by these or other factors at a time when we would like, or need, to do so, which would adversely impact our ability to refinance maturing debt and/or react to changing economic and business conditions. Uncertainty in the credit markets could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. Potential continued disruptions in the financial markets could also have other unknown adverse effects on us or the economy generally and may cause the price of our securities to fluctuate significantly and/or to decline.

Potential reforms to Fannie Mae and Freddie Mac could adversely affect our performance.

Through their lender originator networks, Fannie Mae and Freddie Mac (the "Government Sponsored Enterprises" or "GSEs") are significant lenders and enhancers of tax-exempt bonds both to the Company and to buyers of the Company's properties. The GSEs have a mandate to support multifamily housing through their financing activities. Any changes to their mandates, reductions in their size or the scale of their activities or loss of key personnel could have an impact on the Company and may, among other things, lead to lower values for our assets and higher interest rates on our secured borrowings. Disruptions in the floating rate tax-exempt bond market (where interest rates reset weekly) and in the credit market's perception of the GSEs, which guarantee and provide liquidity for many of these bonds, have been experienced in the past and may be experienced in the future and could result in an increase in interest rates on our tax-exempt debt obligations. These bonds could also be put to our consolidated subsidiaries if the GSEs fail to satisfy their guaranty obligations. While this obligation is in almost all cases non-recourse to us, this could cause the Company to have to repay these obligations on short notice or risk foreclosure actions on the collateralized assets.

Non-performance by our financial counterparties could adversely affect our performance.

Although we have not experienced any material counterparty non-performance, disruptions in financial and credit markets could, among other things, impede the ability of our counterparties to perform on their contractual obligations. There are multiple financial institutions that are individually committed to lend us varying amounts as part of our revolving credit facility. Should any of these institutions fail to fund their committed amounts when contractually required, our financial condition could be adversely affected. Should several of these institutions fail to fund, we could experience significant financial distress.

The Company also has developed assets with joint venture partners which were financed by financial institutions that have experienced varying degrees of distress in the past and could experience similar distress as economic conditions change. If one or more of these lenders fail to fund when contractually required, the Company or its joint venture partner may be unable to complete construction of its development properties.

A significant downgrade in our credit ratings could adversely affect our performance.

A significant downgrade in our credit ratings, while not affecting our ability to draw proceeds under the revolving credit facility, would cause our borrowing costs to increase under the revolving credit facility, impact our ability to borrow secured and unsecured debt, impair our ability to access the commercial paper market or otherwise limit our access to capital. In addition, a downgrade below investment grade would require us to post cash collateral and/or letters of credit in favor of some of our secured lenders to cover our self-insured property and liability insurance deductibles or to obtain lower deductible insurance compliant with the lenders' requirements at the lower ratings level.

Scheduled debt payments could adversely affect our financial condition.

In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our securities at expected levels.

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We may not be able to refinance existing debt, including joint venture indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if we can, the terms of such refinancing might not be as favorable as the terms of existing indebtedness. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our operating cash flow will not be sufficient in all years to repay all maturing debt. As a result, certain of our other debt may cross default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's debt maturity schedule as of December 31, 2016.

Financial covenants could adversely affect the Company's financial condition.

The mortgages on our properties may contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. In addition, our revolving credit facility contains certain restrictions, requirements and other limitations on our ability to incur debt. The indentures under which a substantial portion of our unsecured debt was issued also contain certain financial and operating covenants including, among other things, maintenance of certain financial ratios, as well as limitations on our ability to incur secured and unsecured debt (including acquisition financing), and to sell all or substantially all of our assets. Our revolving credit facility and indentures are cross-defaulted and also contain cross default provisions with other material debt. While the Company believes it was in compliance with its unsecured public debt covenants for both the years ended December 31, 2016 and 2015, should it fall out of compliance, it would likely have a negative impact on our financial condition and results of operations.

Some of the properties were financed with tax-exempt bonds or otherwise contain certain restrictive covenants or deed restrictions, including affordability requirements. The Company, and from time to time its consultants, monitor compliance with the restrictive covenants and deed restrictions that affect these properties. If these compliance requirements restrict our ability to increase our rental rates to low or moderate-income residents, or eligible/qualified residents, then our income from these properties may be limited. While we generally believe that the interest rate benefit attendant to properties with tax-exempt bonds more than outweighs any loss of income due to restrictive covenants or deed restrictions, this may not always be the case. Some of these requirements are complex and our failure to comply with them may subject us to material fines or liabilities.

Our degree of leverage could limit our ability to obtain additional financing.

Our degree of leverage could have important consequences to security holders. For example, the degree of leverage could affect our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, making us more vulnerable to a downturn in business or the economy in general. Our consolidated debt-to-total market capitalization ratio was 26.8% as of December 31, 2016. In addition, our most restrictive unsecured public debt covenants are as follows:

	December 31, 2016		December 31, 2015	
Total Debt to Adjusted Total Assets (not to exceed 60%)	35.4	%	38.5	%
Secured Debt to Adjusted Total Assets (not to exceed 40%)	16.2	%	16.5	%

Consolidated Income Available for Debt Service to Maximum Annual Service Charges (must be at least 1.5 to 1)	3.73		3.67	
Total Unsecured Assets to Unsecured Debt (must be at least 150%)	390.8	%	336.8	%

Rising interest rates could adversely affect cash flow.

Advances under our revolving credit facility bear interest at a variable rate based upon LIBOR at various interest periods, plus a spread dependent upon the Operating Partnership's credit rating, or based upon bids received from the lending group. Borrowings under our commercial paper program also bear interest at variable rates. Certain public issuances of our senior unsecured debt instruments may also, from time to time, bear interest at floating rates or be swapped to a floating rate of interest.

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We may also borrow additional money with variable interest rates in the future. Increases in interest rates would increase our interest expense under these debt instruments and would increase the costs of refinancing existing debt and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and make distributions to security holders.

Derivatives and hedging activity could adversely affect cash flow.

In the normal course of business, we use derivatives to manage our exposure to interest rate volatility on debt instruments, including hedging for future debt issuances. At other times we may utilize derivatives to increase our exposure to floating interest rates. We may also use derivatives to manage commodity prices in the daily operations of our business. There can be no assurance that these hedging arrangements will have the desired beneficial impact. These arrangements, which can include a number of counterparties, may expose us to additional risks, including failure of any of our counterparties to perform under these contracts, and may involve extensive costs, such as transaction fees or breakage costs, if we terminate them. No strategy can completely insulate us from the risks associated with interest rate or commodity pricing fluctuations.

We depend on our key personnel.

We depend on the efforts of the Chairman of our Board of Trustees, Samuel Zell, and our executive officers, particularly David J. Neithercut, our President and Chief Executive Officer (“CEO”). If they resign or otherwise cease to be employed by us, our operations could be temporarily adversely affected. Mr. Zell has entered into retirement benefit and noncompetition agreements with the Company.

Shareholders' ability to effect changes in control of the Company is limited.

Provisions of our declaration of trust and bylaws could inhibit changes in control.

Certain provisions of our Declaration of Trust and Bylaws may delay or prevent a change in control of the Company or other transactions that could provide the security holders with a premium over the then-prevailing market price of their securities or which might otherwise be in the best interest of our security holders. This includes the 5% Ownership Limit described below. While our existing preferred shares/preference units do not have these provisions, any future series of preferred shares/preference units may have certain voting provisions that could delay or prevent a change in control or other transactions that might otherwise be in the interest of our security holders. Our Bylaws require certain information to be provided by any security holder, or persons acting in concert with such security holder, who proposes business or a nominee at an annual meeting of shareholders, including disclosure of information related to hedging activities and investment strategies with respect to our securities. These requirements could delay or prevent a change in control or other transactions that might otherwise be in the interest of our security holders.

We have a share ownership limit for REIT tax purposes.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding Shares may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any year. To facilitate maintenance of our REIT qualification, our Declaration of Trust, subject to certain exceptions, prohibits ownership by any single shareholder of more than 5% of the lesser of the number or value of any outstanding class of common or preferred shares. We refer to this restriction as the “Ownership Limit.” Absent any exemption or waiver granted by our Board of Trustees, securities acquired or held in violation of the Ownership Limit will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and the security holder's rights to distributions and to vote would terminate. A transfer of Shares may be void if it causes a person to violate the Ownership Limit.

The Ownership Limit could delay or prevent a change in control and, therefore, could adversely affect our security holders' ability to realize a premium over the then-prevailing market price for their Shares. To reduce the ability of the Board to use the Ownership Limit as an anti-takeover device, the Company's Ownership Limit requires, rather than permits, the Board to grant a waiver of the Ownership Limit if the individual seeking a waiver demonstrates that such ownership would not jeopardize the Company's status as a REIT. We have issued several of these waivers in the past.

Our preferred shares may affect changes in control.

Our Declaration of Trust authorizes the Board of Trustees to issue up to 100 million preferred shares, and to establish the preferences and rights (including the right to vote and the right to convert into common shares) of any preferred shares issued. The Board of Trustees may use its powers to issue preferred shares and to set the terms of such securities to delay or prevent a change in control of the Company, even if a change in control were in the interest of security holders.

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Inapplicability of Maryland law limiting certain changes in control.

Certain provisions of Maryland law applicable to real estate investment trusts prohibit “business combinations” (including certain issuances of equity securities) with any person who beneficially owns ten percent or more of the voting power of outstanding securities, or with an affiliate who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the Company's outstanding voting securities (an “Interested Shareholder”), or with an affiliate of an Interested Shareholder. These prohibitions last for five years after the most recent date on which the Interested Shareholder became an Interested Shareholder. After the five-year period, a business combination with an Interested Shareholder must be approved by two super-majority shareholder votes unless, among other conditions, holders of common shares receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its common shares. As permitted by Maryland law, however, the Board of Trustees of the Company has opted out of these restrictions with respect to any business combination involving Mr. Zell and certain of his affiliates and persons acting in concert with them. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to a business combination involving us and/or any of them. Such business combinations may not be in the best interest of our security holders.

Our status as a REIT is dependent on compliance with federal income tax requirements.

Our failure to qualify as a REIT would have serious adverse consequences to our security holders.

We believe that we have qualified for taxation as a REIT for federal income tax purposes since our taxable year ended December 31, 1992 based, in part, upon opinions of tax counsel received whenever we have issued equity securities or engaged in significant merger transactions. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. We cannot, therefore, guarantee that we have qualified or will qualify as a REIT in the future. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control. For example, to qualify as a REIT, our gross income must generally come from rental and other real estate or passive related sources that are itemized in the REIT tax laws. We are also required to distribute to security holders at least 90% of our REIT taxable income excluding net capital gains. The fact that we hold our assets through the Operating Partnership further complicates the application of the REIT requirements. In addition, certain of our subsidiary entities have elected to be taxed as REITs. As such, each must separately satisfy all of the requirements to qualify for REIT status. Our failure to comply with the complex REIT rules at the subsidiary REIT level can materially and adversely impact EQR's REIT status.

Even a technical or inadvertent mistake could jeopardize our REIT status; however, the REIT qualification rules permit REITs in certain circumstances to pay a monetary penalty for inadvertent mistakes rather than lose REIT status. There is also risk that Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified from taxation as a REIT for four years following the year in which we failed to qualify as a REIT. If we fail to qualify as a REIT, we would have to pay significant income taxes. We therefore would have less money available for investments or for distributions to security holders. This would likely have a significant adverse effect on the value of our securities. In addition, we would no longer be required to make any distributions to security holders. Even if we qualify as a REIT, we are and

will continue to be subject to certain federal, state and local taxes on our income and property. In addition, various business activities which generate income that is not qualifying income for a REIT are conducted through taxable REIT subsidiaries and will be subject to federal and state income tax at regular corporate rates to the extent they generate taxable income.

We could be disqualified as a REIT or have to pay taxes if our merger partners did not qualify as REITs.

If any of our prior merger partners had failed to qualify as a REIT throughout the duration of their existence, then they might have had undistributed "Subchapter C corporation earnings and profits" at the time of their merger with us. If that were the case and we did not distribute those earnings and profits prior to the end of the year in which the merger took place, we might not qualify as a REIT. We believe, based in part upon opinions of legal counsel received pursuant to the terms of our merger agreements as well as our own investigations, among other things, that each of our prior merger partners qualified as a REIT and that, in any event, none of them had any undistributed "Subchapter C corporation earnings and profits" at the time of their merger with us. If any of our prior merger partners failed to qualify as a REIT, an additional concern would be that they could have been required to recognize taxable gain at the time they merged with us. We would be liable for the tax on such gain. We also could

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have to pay corporate income tax on any gain existing at the time of the applicable merger on assets acquired in the merger if the assets are sold within ten years of the merger.

Compliance with REIT distribution requirements may affect our financial condition and our shareholders' liquidity.

Distribution requirements may increase the indebtedness of the Company.

We may be required from time to time, under certain circumstances, to accrue as income for tax purposes interest and rent earned but not yet received. In such event, or upon our repayment of principal on debt, we could have taxable income without sufficient cash to enable us to meet the distribution requirements of a REIT. Accordingly, we could be required to borrow funds or liquidate investments on adverse terms in order to meet these distribution requirements.

Tax elections regarding distributions may impact future liquidity of the Company or our shareholders.

Under certain circumstances we have made and/or may consider making again in the future, a tax election to treat future distributions to shareholders as distributions in the current year. This election, which is provided for in the Internal Revenue Code, may allow us to avoid increasing our dividends or paying additional income taxes in the current year. However, this could result in a constraint on our ability to decrease our dividends in future years without creating risk of either violating the REIT distribution requirements or generating additional income tax liability.

The Internal Revenue Service has published several rulings that allow REITs to offer shareholders the choice of stock or cash with respect to the receipt of a dividend (an "elective stock dividend"). However, REITs are also permitted to limit the amount of cash paid to all shareholders to 20% of the total dividend paid. Therefore, it is possible that the total tax burden to shareholders resulting from an elective stock dividend may exceed the amount of cash received by the shareholder.

Federal Income Tax Considerations

General

The following discussion summarizes the federal income tax considerations material to a holder of common shares. It is not exhaustive of all possible tax considerations. For example, it does not give a detailed discussion of any state, local or foreign tax considerations. The following discussion also does not address all tax matters that may be relevant to prospective shareholders in light of their particular circumstances. Moreover, it does not address all tax matters that may be relevant to shareholders who are subject to special treatment under the tax laws, such as insurance companies, tax-exempt entities, financial institutions or broker-dealers, foreign corporations, persons who are not citizens or residents of the United States and persons who own shares through a partnership or other entity treated as a flow-through entity for federal income tax purposes.

The specific tax attributes of a particular shareholder could have a material impact on the tax considerations associated with the purchase, ownership and disposition of common shares. Therefore, it is essential that each prospective shareholder consult with his or her own tax advisors with regard to the application of the federal income tax laws to the shareholder's personal tax situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The information in this section is based on the current Internal Revenue Code, current, temporary and proposed Treasury regulations, the legislative history of the Internal Revenue Code, current administrative interpretations and

practices of the Internal Revenue Service, including its practices and policies as set forth in private letter rulings, which are not binding on the Internal Revenue Service, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. Thus, it is possible that the Internal Revenue Service could challenge the statements in this discussion, which do not bind the Internal Revenue Service or the courts, and that a court could agree with the Internal Revenue Service.

Comprehensive tax reform

The potential enactment of comprehensive U.S. federal tax reform legislation may adversely impact the taxation of the REIT, its subsidiaries or its shareholders. Tax reform legislation could result in a material increase in both our federal and state tax liabilities and may change the size and tax character of our distributions in a way that increases our shareholders' tax liabilities as compared to current law or requires the Company to distribute more than it otherwise would have. In addition, comprehensive tax reform could increase the complexity of our compliance efforts and increase tax compliance costs and could have a material impact on our operations.

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Our taxation

We elected REIT status beginning with the year that ended December 31, 1992. In any year in which we qualify as a REIT, we generally will not be subject to federal income tax on the portion of our REIT taxable income or capital gain that we distribute to our shareholders. This treatment substantially eliminates the double taxation that applies to most corporations, which pay a tax on their income and then distribute dividends to shareholders who are in turn taxed on the amount they receive. We elected taxable REIT subsidiary status for certain of our corporate subsidiaries engaged in activities which cannot be performed directly by a REIT, such as condominium conversion and sale activities. As a result, we will be subject to federal income tax on the taxable income generated by these activities in our taxable REIT subsidiaries.

We will be subject to federal income tax at regular corporate rates upon our REIT taxable income or capital gains that we do not distribute to our shareholders. In addition, we will be subject to a 4% excise tax if we do not satisfy specific REIT distribution requirements. We could also be subject to the “alternative minimum tax” on our items of tax preference. In addition, any net income from “prohibited transactions” (i.e., dispositions of property, other than property held by a taxable REIT subsidiary, held primarily for sale to customers in the ordinary course of business) will be subject to a 100% tax. We could also be subject to a 100% penalty tax on certain payments received from or on certain expenses deducted by a taxable REIT subsidiary if any such transaction is not respected by the Internal Revenue Service. If we fail to satisfy the 75% gross income test or the 95% gross income test (described below) but have maintained our qualification as a REIT because we satisfied certain other requirements, we will still generally be subject to a 100% penalty tax on the taxable income attributable to the gross income that caused the income test failure. If we fail to satisfy any of the REIT asset tests (described below) by more than a de minimis amount, due to reasonable cause, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of \$50,000 or the highest marginal corporate tax rate multiplied by the net income generated by the non-qualifying assets. If we fail to satisfy any provision of the Internal Revenue Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income or asset tests described below) and the violation is due to reasonable cause, we may retain our REIT qualification but we will be required to pay a penalty of \$50,000 for each such failure. Moreover, we may be subject to taxes in certain situations and on certain transactions that we do not presently contemplate.

We believe that we have qualified as a REIT for all of our taxable years beginning with 1992. We also believe that our current structure and method of operation is such that we will continue to qualify as a REIT. However, given the complexity of the REIT qualification requirements, we cannot provide any assurance that the actual results of our operations have satisfied or will satisfy the requirements under the Internal Revenue Code for a particular year.

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions described herein do not apply, we will be subject to tax on our taxable income at regular corporate rates. We also may be subject to the corporate “alternative minimum tax.” As a result, our failure to qualify as a REIT would significantly reduce the cash we have available to distribute to our shareholders. Unless entitled to statutory relief, we would not be able to re-elect to be taxed as a REIT until our fifth taxable year after the year of disqualification. It is not possible to state whether we would be entitled to statutory relief.

Our qualification and taxation as a REIT depend on our ability to satisfy various requirements under the Internal Revenue Code. We are required to satisfy these requirements on a continuing basis through actual annual operating and other results. Accordingly, there can be no assurance that we will be able to continue to operate in a manner so as to remain qualified as a REIT.

Ownership of Taxable REIT Subsidiaries by Us. The Internal Revenue Code provides that REITs may own greater than ten percent of the voting power and value of the securities of a “taxable REIT subsidiary” or “TRS”, provided that the aggregate value of all of the TRS securities held by the REIT does not exceed 25% of the REIT's total asset value (20% for taxable years beginning January 1, 2018). TRSs are corporations subject to tax as a regular “C” corporation that have elected, jointly with a REIT, to be a TRS. Generally, a taxable REIT subsidiary may own assets that cannot otherwise be owned by a REIT and can perform impermissible tenant services (discussed below), which would otherwise taint our rental income under the REIT income tests. However, the REIT will be obligated to pay a 100% penalty tax on some payments that we receive or on certain expenses deducted by our TRSs if the economic arrangements between us, our tenants and the TRS are not comparable to similar arrangements among unrelated parties. A TRS may also receive income from prohibited transactions without incurring the 100% federal income tax liability imposed on REITs. Income from prohibited transactions may include the purchase and sale of land, the purchase and sale of completed development properties and the sale of condominium units.

TRSs pay federal and state income tax at the full applicable corporate rates. The amount of taxes paid on impermissible tenant services income and the sale of real estate held primarily for sale to customers in the ordinary course of business may be

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material in amount. The TRSs will attempt to reduce, if possible, the amount of these taxes, but we cannot guarantee whether, or the extent to which, measures taken to reduce these taxes will be successful. To the extent that these companies are required to pay taxes, less cash may be available for distributions to shareholders.

Share Ownership Test and Organizational Requirement. In order to qualify as a REIT, our shares of beneficial interest must be held by a minimum of 100 persons for at least 335 days of a taxable year that is 12 months, or during a proportionate part of a taxable year of less than 12 months. Also, not more than 50% in value of our shares of beneficial interest may be owned directly or indirectly by applying certain constructive ownership rules, by five or fewer individuals during the last half of each taxable year. In addition, we must meet certain other organizational requirements, including, but not limited to, that (i) the beneficial ownership in us is evidenced by transferable shares and (ii) we are managed by one or more trustees. We believe that we have satisfied all of these tests and all other organizational requirements and that we will continue to do so in the future. In order to ensure compliance with the 100 person test and the 50% share ownership test discussed above, we have placed certain restrictions on the transfer of our shares that are intended to prevent further concentration of share ownership. However, such restrictions may not prevent us from failing these requirements, and thereby failing to qualify as a REIT.

Gross Income Tests. To qualify as a REIT, we must satisfy two gross income tests:

(1) At least 75% of our gross income for each taxable year must generally be derived directly or indirectly from rents from real property, interest on obligations secured by mortgages on real property or on interests in real property, gain from the sale or other disposition of non-dealer real property and shares of REIT stock, dividends paid by another REIT and from some types of temporary investments (excluding certain hedging income).

(2) At least 95% of our gross income for each taxable year must generally be derived from sources qualifying under the 75% test described in (1) above, non-REIT dividends, non-real estate mortgage interest and gain from the sale or disposition of non-REIT stock or securities (excluding certain hedging income).

To qualify as rents from real property for the purpose of satisfying the gross income tests, rental payments must generally be received from unrelated persons and not be based on the net income of the resident. Also, the rent attributable to personal property must not exceed 15% of the total rent. We may generally provide services to residents without “tainting” our rental income only if such services are “usually or customarily rendered” in connection with the rental of real property and not otherwise considered “impermissible services”. If such services are impermissible, then we may generally provide them only if they are considered de minimis in amount, or are provided through an independent contractor from whom we derive no revenue and that meets other requirements, or through a taxable REIT subsidiary. We believe that services provided to residents by us either are usually or customarily rendered in connection with the rental of real property and not otherwise considered impermissible, or, if considered impermissible services, will meet the de minimis test or will be provided by an independent contractor or taxable REIT subsidiary. However, we cannot provide any assurance that the Internal Revenue Service will agree with these positions.

If we fail to satisfy one or both of the gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Internal Revenue Code. In this case, a penalty tax would still be applicable as discussed above. Generally, it is not possible to state whether in all circumstances we would be entitled to the benefit of these relief provisions and in the event these relief provisions do not apply, we will not qualify as a REIT.

Asset Tests. In general, on the last day of each quarter of our taxable year, we must satisfy five tests relating to the nature of our assets:

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- (1) At least 75% of the value of our total assets must consist of real estate assets (which include for this purpose shares in other real estate investment trusts) and certain cash related items;
- (2) Not more than 25% of the value of our total assets may consist of securities other than those in the 75% asset class; Except for securities included in item 1 above, equity investments in other REITs, qualified REIT subsidiaries (i.e., corporations owned 100% by a REIT that are not TRSs or REITs), or taxable REIT subsidiaries: (a) the value of
- (3) any one issuer's securities owned by us may not exceed 5% of the value of our total assets and (b) we may not own securities representing more than 10% of the voting power or value of the outstanding securities of any one issuer;
- (4) Not more than 25% of the value of our total assets may consist of securities of one or more taxable REIT subsidiaries (20% for taxable years beginning January 1, 2018); and
- (5) Not more than 25% of the value of our total assets may be represented by nonqualified publicly offered REIT debt instruments.

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The 10% value test described in clause (3)(b) above does not apply to nonqualified publicly offered REIT debt instruments or to certain securities that fall within a safe harbor under the Code. Under the safe harbor, the following are not considered “securities” held by us for purposes of this 10% value test: (i) straight debt securities, (ii) any loan of an individual or an estate, (iii) certain rental agreements for the use of tangible property, (iv) any obligation to pay rents from real property, (v) any security issued by a state or any political subdivision thereof, foreign government or Puerto Rico only if the determination of any payment under such security is not based on the profits of another entity or payments on any obligation issued by such other entity, or (vi) any security issued by a REIT. The timing and payment of interest or principal on a security qualifying as straight debt may be subject to a contingency provided that (A) such contingency does not change the effective yield to maturity, not considering a de minimis change which does not exceed the greater of ¼ of 1% or 5% of the annual yield to maturity or we own \$1,000,000 or less of the aggregate issue price or value of the particular issuer's debt and not more than 12 months of unaccrued interest can be required to be prepaid or (B) the contingency is consistent with commercial practice and the contingency is effective upon a default or the exercise of a prepayment right by the issuer of the debt. If we hold indebtedness from any issuer, including a REIT, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying real estate asset or otherwise satisfies the above safe harbor. We currently own equity interests in certain entities that have elected to be taxed as REITs for federal income tax purposes and are not publicly traded. If any such entity were to fail to qualify as a REIT, we would not meet the 10% voting stock limitation and the 10% value limitation and we would, unless certain relief provisions applied, fail to qualify as a REIT. We believe that we and each of the REITs we own an interest in have and will comply with the foregoing asset tests for REIT qualification. However, we cannot provide any assurance that the Internal Revenue Service will agree with our determinations.

If we fail to satisfy the 5% or 10% asset tests described above after a 30-day cure period provided in the Internal Revenue Code, we will be deemed to have met such tests if the value of our non-qualifying assets is de minimis (i.e., does not exceed the lesser of 1% of the total value of our assets at the end of the applicable quarter or \$10,000,000) and we dispose of the non-qualifying assets within six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered. For violations due to reasonable cause and not willful neglect that are in excess of the de minimis exception described above, we may avoid disqualification as a REIT under any of the asset tests, after the 30-day cure period, by disposing of sufficient assets to meet the asset test within such six month period, paying a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets and disclosing certain information to the Internal Revenue Service. If we cannot avail ourselves of these relief provisions, or if we fail to timely cure any noncompliance with the asset tests, we would cease to qualify as a REIT.

Annual Distribution Requirements. To qualify as a REIT, we are generally required to distribute dividends, other than capital gain dividends, to our shareholders each year in an amount at least equal to 90% of our REIT taxable income. These distributions must be paid either in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the prior year and if paid with or before the first regular dividend payment date after the declaration is made. We intend to make timely distributions sufficient to satisfy our annual distribution requirements. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100% of our REIT taxable income, as adjusted, we are subject to tax on these amounts at regular corporate rates. We will be subject to a 4% excise tax on the excess of the required distribution over the sum of amounts actually distributed and amounts retained for which federal income tax was paid, if we fail to distribute during each calendar year at least the sum of: (1) 85% of our REIT ordinary income for the year; (2) 95% of our REIT capital gain net income for the year; and (3) any undistributed taxable income from prior taxable years. A REIT may elect to retain rather than distribute all or a portion of its net capital gains and pay the tax on the gains. In that case, a REIT may elect to have its shareholders include their proportionate share of the undistributed net capital gains in income as long-term capital gains and receive a credit for their share of the tax paid by the REIT. For purposes of the 4% excise tax described above, any retained amounts would be treated as having been distributed.

Ownership of Partnership Interests By Us. As a result of our ownership of the Operating Partnership, we will be considered to own and derive our proportionate share of the assets and items of income of the Operating Partnership, respectively, for purposes of the REIT asset and income tests, including its share of assets and items of income of any subsidiaries that are partnerships or limited liability companies.

State and Local Taxes. We may be subject to state or local taxation in various jurisdictions, including those in which we transact business or reside. Generally REITs have seen increases in state and local taxes in recent years. Our state and local tax treatment may not conform to the federal income tax treatment discussed above and any changes in the federal tax code may not be adopted by the states, potentially leading to material tax liabilities for the Company and its shareholders. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in common shares.

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Taxation of domestic shareholders subject to U.S. tax

General. If we qualify as a REIT, distributions made to our taxable domestic shareholders with respect to their common shares, other than capital gain distributions and distributions attributable to taxable REIT subsidiaries, will be treated as ordinary income to the extent that the distributions come out of earnings and profits. These distributions will not be eligible for the dividends received deduction for shareholders that are corporations nor will they constitute “qualified dividend income” under the Internal Revenue Code, meaning that such dividends will be taxed at marginal rates applicable to ordinary income rather than the special capital gain rates currently applicable to qualified dividend income distributed to shareholders who satisfy applicable holding period requirements. In determining whether distributions are out of earnings and profits, we will allocate our earnings and profits first to preferred shares and second to the common shares. The portion of ordinary dividends which represent ordinary dividends we receive from a TRS, will be designated as “qualified dividend income” to REIT shareholders. These qualified dividends are eligible for preferential tax rates if paid to our non-corporate shareholders.

To the extent we make distributions to our taxable domestic shareholders in excess of our earnings and profits, such distributions will be considered a return of capital. Such distributions will be treated as a tax-free distribution and will reduce the tax basis of a shareholder's common shares by the amount of the distribution so treated. To the extent such distributions cumulatively exceed a taxable domestic shareholder's tax basis, such distributions are taxable as gain from the sale of shares. Shareholders may not include in their individual income tax returns any of our net operating losses or capital losses.

Dividends declared by a REIT in October, November, or December are deemed to have been paid by the REIT and received by its shareholders on December 31 of that year, so long as the dividends are actually paid during January of the following year. However, this treatment only applies to the extent of the REIT's earnings and profits existing on December 31. To the extent the shareholder distribution paid in January exceeds available earnings and profits as of December 31, the excess will be treated as a distribution taxable to shareholders in the year paid. As such, for tax reporting purposes, January distributions paid to our shareholders may be split between two tax years.

A REIT may make an election under the Internal Revenue Code to treat certain dividends that are paid in a taxable year, as being made by the REIT in the previous taxable year. A shareholder is required to include the amount of the dividend in the taxable year that it is paid by the REIT.

Distributions made by us that we properly designate as capital gain dividends will be taxable to taxable domestic shareholders as gain from the sale or exchange of a capital asset held for more than one year. This treatment applies only to the extent that the designated distributions do not exceed our actual net capital gain for the taxable year or the amount of distributions treated as dividends for the taxable year. It applies regardless of the period for which a domestic shareholder has held his or her common shares. Despite this general rule, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income.

Generally, our designated capital gain dividends will be broken out into net capital gains distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 20% for individual taxpayers in the highest tax bracket) and unrecaptured Section 1250 gain distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 25%).

Certain U.S. shareholders that are taxed as individuals, estates or trusts may also be required to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of shares.

If, for any taxable year, we elect to designate as capital gain dividends any portion of the dividends paid or made available for the year to holders of all classes of shares of beneficial interest, then the portion of the capital gains dividends that will be allocable to the holders of common shares will be the total capital gain dividends multiplied by a fraction. The numerator of the fraction will be the total dividends paid or made available to the holders of the common shares for the year. The denominator of the fraction will be the total dividends paid or made available to holders of all classes of shares of beneficial interest.

We may elect to retain (rather than distribute as is generally required) net capital gain for a taxable year and pay the income tax on that gain. If we make this election, shareholders must include in income, as long-term capital gain, their proportionate share of the undistributed net capital gain. Shareholders will be treated as having paid their proportionate share of the tax paid by us on these gains. Accordingly, they will receive a tax credit or refund for the amount. Shareholders will increase the basis in their common shares by the difference between the amount of capital gain included in their income and the amount of the tax they are treated as having paid. Our earnings and profits will be adjusted appropriately.

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In general, a shareholder will recognize gain or loss for federal income tax purposes on the sale or other disposition of common shares in an amount equal to the difference between:

- (a) the amount of cash and the fair market value of any property received in the sale or other disposition; and
- (b) the shareholder's adjusted tax basis in the common shares.

The gain or loss will be capital gain or loss if the common shares were held as a capital asset. Generally, the capital gain or loss will be long-term capital gain or loss if the common shares were held for more than one year.

In general, a loss recognized by a shareholder upon the sale of common shares that were held for six months or less, determined after applying certain holding period rules, will be treated as long-term capital loss to the extent that the shareholder received distributions that were treated as long-term capital gains. For shareholders who are individuals, trusts and estates, the long-term capital loss will be apportioned among the applicable long-term capital gain rates to the extent that distributions received by the shareholder were previously so treated.

Taxation of domestic tax-exempt shareholders

Most tax-exempt organizations are not subject to federal income tax except to the extent of their unrelated business taxable income, which is often referred to as UBTI. Unless a tax-exempt shareholder holds its common shares as debt financed property or uses the common shares in an unrelated trade or business, distributions to the shareholder should not constitute UBTI. Similarly, if a tax-exempt shareholder sells common shares, the income from the sale should not constitute UBTI unless the shareholder held the shares as debt financed property or used the shares in a trade or business.

However, for tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans, income from owning or selling common shares will constitute UBTI unless the organization is able to properly deduct amounts set aside or placed in reserve so as to offset the income generated by its investment in common shares. These shareholders should consult their own tax advisors concerning these set aside and reserve requirements which are set forth in the Internal Revenue Code.

In addition, certain pension trusts that own more than 10% of a "pension-held REIT" must report a portion of the distributions that they receive from the REIT as UBTI. We have not been and do not expect to be treated as a pension-held REIT for purposes of this rule.

Taxation of foreign shareholders

The following is a discussion of certain anticipated United States federal income tax consequences of the ownership and disposition of common shares applicable to a foreign shareholder. For purposes of this discussion, a "foreign shareholder" is any person other than:

- (a) a citizen or resident of the United States;
- (b) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state thereof; or
- (c) an estate or trust whose income is includable in gross income for United States federal income tax purposes regardless of its source.

Distributions by Us. Distributions by us to a foreign shareholder that are neither attributable to gain from sales or exchanges by us of United States real property interests nor designated by us as capital gains dividends will be treated

as dividends of ordinary income to the extent that they are made out of our earnings and profits. These distributions ordinarily will be subject to withholding of United States federal income tax on a gross basis at a 30% rate, or a lower treaty rate, unless the dividends are treated as effectively connected with the conduct by the foreign shareholder of a United States trade or business. Please note that under certain treaties lower withholding rates generally applicable to dividends do not apply to dividends from REITs. Dividends that are effectively connected with a United States trade or business will be subject to tax on a net basis at graduated rates, and are generally not subject to withholding. Certification and disclosure requirements must be satisfied before a dividend is exempt from withholding under this exemption. A foreign shareholder that is a corporation also may be subject to an additional branch profits tax at a 30% rate or a lower treaty rate.

We expect to withhold United States income tax at the rate of 30% on any such distributions made to a foreign shareholder unless:

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- (a) a lower treaty rate applies and any required form or certification evidencing eligibility for that reduced rate is filed with us; or
- (b) the foreign shareholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

If such distribution is in excess of our current or accumulated earnings and profits, it will not be taxable to a foreign shareholder to the extent that the distribution does not exceed the adjusted basis of the shareholder's common shares. Instead, the distribution will reduce the adjusted basis of the common shares. To the extent that the distribution exceeds the adjusted basis of the common shares, it will give rise to gain from the sale or exchange of the shareholder's common shares. The tax treatment of this gain is described below.

We intend to withhold at a rate of 30%, or a lower applicable treaty rate, on the entire amount of any distribution not designated as a capital gain distribution. In such event, a foreign shareholder may seek a refund of the withheld amount from the IRS if it is subsequently determined that the distribution was, in fact, in excess of our earnings and profits, and the amount withheld exceeded the foreign shareholder's United States tax liability with respect to the distribution.

Distributions to a foreign shareholder that we designate at the time of the distributions as capital gain dividends, other than those arising from the disposition of a United States real property interest, generally will not be subject to United States federal income taxation unless:

- (a) the investment in the common shares is effectively connected with the foreign shareholder's United States trade or business, in which case the foreign shareholder will be subject to the same treatment as domestic shareholders, except that a shareholder that is a foreign corporation may also be subject to the branch profits tax, as discussed above; or
- (b) the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Under the Foreign Investment in Real Property Tax Act, which is known as FIRPTA, distributions to a foreign shareholder (other than certain qualified shareholders and qualified foreign pension funds discussed below) that are attributable to gain from sales or exchanges of United States real property interests will cause the foreign shareholder to be treated as recognizing the gain as income effectively connected with a United States trade or business. This rule applies whether or not a distribution is designated as a capital gain dividend. Accordingly, foreign shareholders generally would be taxed on these distributions at the same rates applicable to U.S. shareholders, subject to a special alternative minimum tax in the case of nonresident alien individuals. In addition, a foreign corporate shareholder might be subject to the branch profits tax discussed above, as well as U.S. federal income tax return filing requirements. We are required to withhold 35% of these distributions. The withheld amount can be credited against the foreign shareholder's United States federal income tax liability.

Although the law is not entirely clear on the matter, it appears that amounts we designate as undistributed capital gains in respect of the common shares held by U.S. shareholders would be treated with respect to foreign shareholders in the same manner as actual distributions of capital gain dividends. Under that approach, foreign shareholders would be able to offset as a credit against their United States federal income tax liability their proportionate share of the tax paid by us on these undistributed capital gains. In addition, if timely requested, foreign shareholders might be able to receive from the IRS a refund to the extent their proportionate share of the tax paid by us were to exceed their actual United States federal income tax liability.

Foreign Shareholders' Sales of Common Shares. Gain recognized by a foreign shareholder upon the sale or exchange of common shares generally will not be subject to United States taxation unless the shares constitute a "United States real property interest" within the meaning of FIRPTA. The common shares will not constitute a United States real property interest so long as we are a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by foreign shareholders. We believe that we are a domestically controlled REIT. Therefore, we believe that the sale of common shares will not be subject to taxation under FIRPTA. However, because common shares and preferred shares are publicly traded, we cannot guarantee that we will continue to be a domestically controlled REIT. In any event, gain from the sale or exchange of common shares not otherwise subject to FIRPTA will be subject to U.S. tax, if either:

the investment in the common shares is effectively connected with the foreign shareholder's United States trade or (a) business, in which case the foreign shareholder will be subject to the same treatment as domestic shareholders with respect to the gain; or

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the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more (b) during the taxable year and has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Even if we do not qualify as or cease to be a domestically controlled REIT, gain arising from the sale or exchange by a foreign shareholder of common shares still would not be subject to United States taxation under FIRPTA as a sale of a United States real property interest if:

- (a) the class or series of shares being sold is “regularly traded,” as defined by applicable IRS regulations, on an established securities market such as the New York Stock Exchange; and
- (b) the selling foreign shareholder owned 10% or less of the value of the outstanding class or series of shares being sold throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale or exchange of common shares were subject to taxation under FIRPTA, the foreign shareholder would be subject to regular United States income tax with respect to the gain in the same manner as a taxable U.S. shareholder, subject to any applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals and the possible application of the branch profits tax in the case of foreign corporations. The purchaser of the common shares would be required to withhold and remit to the IRS 15% of the purchase price.

Exception to FIRPTA for Qualified Shareholders. For dispositions and distributions after December 18, 2015, stock of a REIT held (directly or through partnerships) by a “qualified shareholder” will not be treated as United States real property interest, and capital gain dividends from such a REIT will not be treated as gain from the sale of a United States real property interest. This exception does not apply to persons that hold an interest, taking into account applicable constructive ownership rules, more than 10% of the stock of the REIT (unless that interest is solely as a creditor (an “applicable investor”). If the qualified shareholder has such an “applicable investor,” the portion of REIT stock indirectly owned through the qualified shareholder by the applicable investor will be treated as gains from the sale of United States real property interests. For these purposes, a “qualified shareholder” is a foreign person which is in a treaty jurisdiction and satisfies certain publicly traded requirements, is a “qualified collective investment vehicle” and maintains records on the identity of certain 5% owners. A “qualified collective investment vehicle” is a foreign person that is eligible for a reduced withholding rate with respect to ordinary REIT dividends even if such person holds more than 10% of the REIT’s stock, a publicly traded partnership that is a withholding foreign partnership that would be a United States real property holding corporation if it were a United States corporation, or is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either fiscally transparent within the meaning of the Code or required to include dividends in its gross income but entitled to a deduction for distribution to its investors. Finally, capital gain dividends and nondividend redemption and liquidating distributions to a qualified shareholder that are not allocable to an applicable investor will be treated as ordinary dividends.

Exception to FIRPTA Withholding for Qualified Foreign Pension Funds. For distributions or disposition of REIT stock after December 18, 2015, “qualified foreign pension funds” and entities that are wholly owned by a qualified foreign pension fund are exempted from FIRPTA withholding. For these purposes, a “qualified foreign pension fund” is any trust, corporation, or other organization or arrangement if (i) it was created or organized under foreign law, (ii) it was established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) it does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) it is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) under the laws of the country in which it is established or operates, either contributions to such fund which would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such fund or taxed at a reduced rate, or taxation of any

investment income of such fund is deferred or such income is taxed at a reduced rate.

Information reporting requirement and backup withholding

We will report to our domestic shareholders and the Internal Revenue Service the amount of distributions paid during each calendar year and the amount of tax withheld, if any. Under certain circumstances, domestic shareholders may be subject to backup withholding. Backup withholding will apply only if such domestic shareholder fails to furnish certain information to us or the Internal Revenue Service. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. Domestic shareholders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a domestic shareholder will be allowed as a credit against such person's United States federal income tax liability and may entitle such person to a refund,

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provided that the required information is timely furnished to the Internal Revenue Service.

Withholding on foreign financial institutions and non-U.S. shareholders

The Foreign Account Tax Compliance Act (“FATCA”) imposes a U.S. withholding tax at a 30% rate on dividends and on proceeds from the sale of our shares paid beginning January 1, 2019 to “foreign financial institutions” (as defined under FATCA) and certain other foreign entities if certain due diligence and disclosure requirements related to U.S. accounts with, or ownership of, such entities are not satisfied or an exemption does not apply. If FATCA withholding is imposed, non-U.S. beneficial owners that are otherwise eligible for an exemption from, or a reduction of, U.S. withholding tax with respect to such distributions and sale proceeds would be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. Any payment made by us that is subject to withholding under FATCA or otherwise will be net of the amount required to be withheld.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 302 properties located in 10 states and the District of Columbia consisting of 77,458 apartment units. See Note 4 in the Notes to Consolidated Financial Statements for discussion of the Starwood Transaction and the significant dispositions which occurred during 2016. See also Item 1, Business, for additional information regarding the Company's properties and the markets/metro areas upon which we are focused. The Company's properties are summarized by building type in the following table:

Type	Properties	Apartment Units	Average Apartment Units
Garden	110	27,769	252
Mid/High-Rise	192	49,689	259
	302	77,458	256

The Company's properties are summarized by ownership type in the following table:

	Properties	Apartment Units
Wholly Owned Properties	280	72,445
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	17	3,215
Partially Owned Properties – Unconsolidated	2	945
	302	77,458

The following table sets forth certain information by market relating to the Company's properties at December 31, 2016:

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Portfolio Summary

Markets/Metro Areas	Properties	Apartment Units	% of Stabilized NOI (A)	Average Rental Rate (B)
Los Angeles	70	15,857	18.3 %	\$ 2,382
Orange County	12	3,684	3.9 %	2,028
San Diego	13	3,505	3.9 %	2,198
Subtotal – Southern California	95	23,046	26.1 %	2,295
San Francisco	54	12,959	19.7 %	3,064
New York	40	10,632	17.9 %	3,751
Washington D.C.	47	15,637	17.6 %	2,341
Boston	26	7,007	10.7 %	2,819
Seattle	37	7,096	8.0 %	2,161
Other Markets	1	136	— %	1,146
Total	300	76,513	100.0 %	2,674
Unconsolidated Properties	2	945	—	—
Grand Total	302	77,458	100.0 %	\$ 2,674

Note: Projects under development are not included in the Portfolio Summary until construction has been completed.

(A) % of Stabilized NOI - Represents budgeted 2017 NOI for stabilized properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(B) Average Rental Rate - Total residential rental revenues divided by the weighted average occupied apartment units for the reporting period presented.

The Company's properties had an average occupancy of approximately 94.6% (95.7% on a same store basis) at December 31, 2016. Certain of the Company's properties are encumbered by mortgages and additional detail can be found on Schedule III – Real Estate and Accumulated Depreciation. Resident leases are generally for twelve months in length and can require security deposits. The garden-style properties are generally defined as properties with two and/or three story buildings while the mid-rise/high-rise are defined as properties with greater than three story buildings. These two property types typically provide residents with amenities, such as rooftop decks and swimming pools, exercise rooms and community rooms. Certain of these properties offer additional amenities such as saunas, whirlpools, spas, sports courts and exercise rooms or other amenities. In addition, many of our urban properties have parking garage and/or retail components.

The consolidated properties currently in various stages of development and lease-up at December 31, 2016 are included in the following table:

Table of ContentsDevelopment and Lease-Up Projects as of December 31, 2016
(Amounts in thousands except for project and apartment unit amounts)

Project Location	No. of Apartment Units	Total Capital Cost (1)	Total Book Value to Date	Total Book Value Not Placed in Service	Total Debt	Percentage Completed	Percentage Leased	Percentage Occupied	Estimated Completion Date	Estimated Stabilization Date
Projects Under Development:										
The Alton (formerly Millikan) Irvine, CA	344	\$102,331	\$101,907	\$39,993	\$ —	96 %	23 %	17 %	Q1 2017	Q1 2018
455 Eye Street Washington, DC	174	73,157	58,558	58,558	—	72 %	—	—	Q3 2017	Q2 2018
855 Brannan (formerly 801 Brannan) San Francisco, CA	449	304,035	208,268	208,268	—	66 %	—	—	Q3 2017	Q1 2019
Helios (formerly 2nd & Pine) Seattle, WA	398	215,787	180,505	180,505	—	81 %	—	—	Q3 2017	Q2 2019
Cascade 100 Seattle, WA	477	176,378	123,462	123,462	—	68 %	—	—	Q3 2017	Q2 2019
K Street Washington, DC	222	88,023	26,382	26,382	—	9 %	—	—	Q4 2018	Q4 2019
Projects Under Development	2,064	959,711	699,082	637,168	—					
Completed Not Stabilized (2):										
Potrero 1010 San Francisco, CA	453	224,474	219,668	—	—	97 %	96 %	Completed	Q1 2017	
340 Fremont San Francisco, CA (formerly Rincon)	348	292,054	286,996	—	—	80 %	73 %	Completed	Q2 2017	

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Hill) One San Francisco, Henry Adams CA	241	172,337	162,647	—	—	26 %	22 %	Completed	Q4 2017
Altitude (formerly Villages Angeles, at CA Howard Hughes)	545	193,231	191,702	—	—	54 %	52 %	Completed	Q1 2018
Projects Completed Not Stabilized	1,587	882,096	861,013	—	—				
Completed and Stabilized During the Quarter: Vista 99 (formerly Tasman)	554	204,223	202,884	—	—	94 %	93 %	Completed	Stabilized
Projects Completed and Stabilized During the Quarter	554	204,223	202,884	—	—				
Total Development Projects	4,205	\$2,046,030	\$1,762,979	\$637,168	\$ —				
Land Held for Development	N/A	N/A	\$118,816	\$118,816	\$ —				

Note: All development projects listed are wholly owned by the Company.

Total Capital Cost - Estimated cost for projects under development and/or developed and all capitalized costs incurred to date plus any estimates of costs remaining to be funded for all projects, including land acquisition costs, (1) construction costs, capitalized real estate taxes and insurance, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, all in accordance with GAAP.

(2)

Properties included here are substantially complete. However, they may still require additional exterior and interior work for all apartment units to be available for leasing.

Item 3. Legal Proceedings

The Company was party to a housing discrimination lawsuit brought by a non-profit civil rights organization in April 2006 in the U.S. District Court for the District of Maryland. The suit alleged that the Company designed and built many of its properties in violation of the accessibility requirements of the Fair Housing Act (“FHA”) and Americans With Disabilities Act (“ADA”). The suit sought actual and punitive damages, injunctive relief (including modification of non-compliant properties), costs and attorneys’ fees. On March 31, 2016, the Court found that certain features at seven of the Company’s properties did not satisfy the accessibility requirements of the FHA. During the fourth quarter of 2016, the Company settled the lawsuit for \$3.1 million, net of insurance recoveries already received. The Company also agreed to undertake the remediation of certain inaccessible features at a limited number of properties.

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.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Share Market Prices and Dividends (Equity Residential)

The following table sets forth, for the years indicated, the high, low and closing sales prices for and the distributions declared on the Company's Common Shares, which trade on the New York Stock Exchange under the trading symbol EQR.

	Sales Price			Distributions
	High	Low	Closing	
2016				
Fourth Quarter Ended December 31, 2016	\$65.14	\$58.28	\$64.36	\$ 0.50375
Third Quarter Ended September 30, 2016	\$71.53	\$62.39	\$64.33	\$ 3.50375
Second Quarter Ended June 30, 2016	\$75.49	\$63.11	\$68.88	\$ 0.50375
First Quarter Ended March 31, 2016	\$81.76	\$66.62	\$75.03	\$ 8.50375
2015				
Fourth Quarter Ended December 31, 2015	\$82.39	\$74.38	\$81.59	\$ 0.55250
Third Quarter Ended September 30, 2015	\$81.98	\$61.90	\$75.12	\$ 0.55250
Second Quarter Ended June 30, 2015	\$79.23	\$69.94	\$70.17	\$ 0.55250
First Quarter Ended March 31, 2015	\$82.53	\$72.06	\$77.86	\$ 0.55250

Note: In addition to the regular quarterly dividends, the Company paid special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016.

The number of record holders of Common Shares at February 17, 2017 was approximately 2,400. The number of outstanding Common Shares as of February 17, 2017 was 367,097,667.

Unit Dividends (ERP Operating Limited Partnership)

There is no established public market for the Units (OP Units and restricted units).

The following table sets forth, for the years indicated, the distributions declared on the Operating Partnership's Units.

	Distributions	
	2016	2015
Fourth Quarter Ended December 31,	\$0.50375	\$0.55250
Third Quarter Ended September 30,	\$3.50375	\$0.55250
Second Quarter Ended June 30,	\$0.50375	\$0.55250
First Quarter Ended March 31,	\$8.50375	\$0.55250

Note: In addition to the regular quarterly dividends, the Company paid special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016.

The number of record holders of Units in the Operating Partnership at February 17, 2017 was approximately 500. The number of outstanding Units as of February 17, 2017 was 380,926,413.

Unregistered Common Shares Issued in the Quarter Ended December 31, 2016 (Equity Residential)

During the quarter ended December 31, 2016, EQR issued 1,670 Common Shares in exchange for 1,670 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(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

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connection with these transactions, EQR believes it may rely on these exemptions.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016 with respect to the Company's Common Shares that may be issued under its existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
	(a) (1)	(b) (1)	(c) (2)
Equity compensation plans approved by shareholders	6,023,101	\$42.05	11,501,716
Equity compensation plans not approved by shareholders	N/A	N/A	N/A

The amounts shown in columns (a) and (b) of the above table do not include 452,034 outstanding Common Shares (all of which are restricted and subject to vesting requirements) that were granted under the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan") and outstanding Common Shares that have been purchased by employees and trustees under the Company's ESPP.

(1) Includes 8,595,553 Common Shares that may be issued under the 2011 Plan, of which only 33% may be in the (2) form of restricted shares/units, and 2,906,163 Common Shares that may be sold to employees and trustees under the ESPP.

Any Common Shares issued pursuant to EQR's incentive equity compensation and employee share purchase plans will result in ERPOP issuing OP Units to EQR on a one-for-one basis, with ERPOP receiving the net cash proceeds of such issuances.

Item 6. Selected Financial Data

The following tables set forth selected financial and operating information on a historical basis for the Company and the Operating Partnership. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating and balance sheet data have been derived from the historical financial statements of the Company and the Operating Partnership. Selected balance sheet amounts have also been restated in accordance with the new deferred financing cost guidance effective January 1, 2016 (see Note 2 in the Notes to Consolidated Financial Statements for further discussion). Certain capitalized terms as used herein are defined in the Notes to Consolidated Financial Statements.

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EQUITY RESIDENTIAL

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

(Financial information in thousands except for per share and property data)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
OPERATING DATA:					
Total revenues from continuing operations	\$2,425,800	\$2,744,965	\$2,614,748	\$2,387,702	\$1,747,502
Interest and other income	\$65,773	\$7,372	\$4,462	\$5,283	\$151,060
Net gain on sales of real estate properties	\$4,044,055	\$335,134	\$212,685	\$—	\$—
Income (loss) from continuing operations	\$4,479,586	\$907,621	\$657,101	\$(168,174)	\$160,298
Discontinued operations, net	\$518	\$397	\$1,582	\$2,073,527	\$720,906
Net income	\$4,480,104	\$908,018	\$658,683	\$1,905,353	\$881,204
Net income available to Common Shares	\$4,289,072	\$863,277	\$627,163	\$1,826,468	\$826,212
Earnings per share – basic:					
Income (loss) from continuing operations available to Common Shares	\$11.75	\$2.37	\$1.73	\$(0.47)	\$0.45
Net income available to Common Shares	\$11.75	\$2.37	\$1.74	\$5.16	\$2.73
Weighted average Common Shares outstanding	365,002	363,498	361,181	354,305	302,701
Earnings per share – diluted:					
Income (loss) from continuing operations available to Common Shares	\$11.68	\$2.36	\$1.72	\$(0.47)	\$0.45
Net income available to Common Shares	\$11.68	\$2.36	\$1.73	\$5.16	\$2.70
Weighted average Common Shares outstanding	381,992	380,620	377,735	354,305	319,766
Distributions declared per Common Share outstanding	\$13.015	\$2.21	\$2.00	\$1.85	\$1.78
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$25,386,425	\$25,182,352	\$27,675,383	\$26,800,948	\$21,008,429
Real estate, after accumulated depreciation	\$20,026,036	\$20,276,946	\$22,242,578	\$21,993,239	\$16,096,208
Real estate held for sale	\$—	\$2,181,135	\$—	\$—	\$—
Total assets	\$20,704,148	\$23,110,196	\$22,902,160	\$22,789,040	\$17,161,709
Total debt	\$8,987,258	\$10,921,366	\$10,796,407	\$10,720,749	\$8,489,953
Redeemable Noncontrolling Interests – Operating Partnership	\$442,092	\$566,783	\$500,733	\$363,144	\$398,372
Total shareholders' equity	\$10,229,078	\$10,470,368	\$10,368,456	\$10,507,201	\$7,289,813
Total Noncontrolling Interests	\$231,906	\$225,987	\$339,320	\$337,995	\$237,294
OTHER DATA:					
Total properties (at end of period)	302	394	391	390	403
Total apartment units (at end of period)	77,458	109,652	109,225	109,855	115,370
Funds from operations available to Common	\$1,123,530	\$1,323,786	\$1,190,915	\$872,421	\$993,217
Shares and Units – basic (1) (3) (4)					
Normalized funds from operations available to	\$1,179,650	\$1,317,802	\$1,196,446	\$1,057,073	\$883,269

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Common Shares and Units – basic (2) (3)

(4)

Cash flow provided by (used for):

Operating activities	\$1,111,489	\$1,356,499	\$1,324,073	\$868,916	\$1,046,155
Investing activities	\$5,871,973	\$(678,471)	\$(644,666)	\$(6,977)	\$(261,155)
Financing activities	\$(6,948,531)	\$(675,832)	\$(692,861)	\$(1,420,995)	\$(556,331)

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ERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
(Financial information in thousands except for per Unit and property data)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
OPERATING DATA:					
Total revenues from continuing operations	\$2,425,800	\$2,744,965	\$2,614,748	\$2,387,702	\$1,747,502
Interest and other income	\$65,773	\$7,372	\$4,462	\$5,283	\$151,060
Net gain on sales of real estate properties	\$4,044,055	\$335,134	\$212,685	\$—	\$—
Income (loss) from continuing operations	\$4,479,586	\$907,621	\$657,101	\$(168,174)	\$160,298
Discontinued operations, net	\$518	\$397	\$1,582	\$2,073,527	\$720,906
Net income	\$4,480,104	\$908,018	\$658,683	\$1,905,353	\$881,204
Net income available to Units	\$4,460,583	\$897,518	\$651,994	\$1,901,746	\$864,853
Earnings per Unit – basic:					
Income (loss) from continuing operations available to Units	\$11.75	\$2.37	\$1.73	\$(0.47)	\$0.45
Net income available to Units	\$11.75	\$2.37	\$1.74	\$5.16	\$2.73
Weighted average Units outstanding	378,829	377,074	374,899	368,038	316,554
Earnings per Unit – diluted:					
Income (loss) from continuing operations available to Units	\$11.68	\$2.36	\$1.72	\$(0.47)	\$0.45
Net income available to Units	\$11.68	\$2.36	\$1.73	\$5.16	\$2.70
Weighted average Units outstanding	381,992	380,620	377,735	368,038	319,766
Distributions declared per Unit outstanding	\$13.015	\$2.21	\$2.00	\$1.85	\$1.78
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$25,386,425	\$25,182,352	\$27,675,383	\$26,800,948	\$21,008,429
Real estate, after accumulated depreciation	\$20,026,036	\$20,276,946	\$22,242,578	\$21,993,239	\$16,096,208
Real estate held for sale	\$—	\$2,181,135	\$—	\$—	\$—
Total assets	\$20,704,148	\$23,110,196	\$22,902,160	\$22,789,040	\$17,161,709
Total debt	\$8,987,258	\$10,921,366	\$10,796,407	\$10,720,749	\$8,489,953
Redeemable Limited Partners	\$442,092	\$566,783	\$500,733	\$363,144	\$398,372
Total partners' capital	\$10,450,375	\$10,691,747	\$10,582,867	\$10,718,613	\$7,449,419
Noncontrolling Interests – Partially Owned Properties	\$10,609	\$4,608	\$124,909	\$126,583	\$77,688
OTHER DATA:					
Total properties (at end of period)	302	394	391	390	403
Total apartment units (at end of period)	77,458	109,652	109,225	109,855	115,370
Funds from operations available to Units – basic (1) (3) (4)	\$1,123,530	\$1,323,786	\$1,190,915	\$872,421	\$993,217
Normalized funds from operations available to Units – basic (2) (3) (4)	\$1,179,650	\$1,317,802	\$1,196,446	\$1,057,073	\$883,269
Cash flow provided by (used for):					
Operating activities	\$1,111,489	\$1,356,499	\$1,324,073	\$868,916	\$1,046,155
Investing activities	\$5,871,973	\$(678,471)	\$(644,666)	\$(6,977)	\$(261,155)

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Financing activities \$(6,948,531) \$(675,832) \$(692,861) \$(1,420,995) \$(556,331)

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 (1) 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.

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

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.

Note: See Item 7 for a reconciliation of net income to FFO, FFO available to Common Shares and Units / Units, Normalized FFO and Normalized FFO available to Common Shares and Units / Units.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the results of operations and financial condition of the Company and the Operating Partnership should be read in connection with the Consolidated Financial Statements and Notes thereto. Due to the Company’s ability to control the Operating Partnership and its subsidiaries, the Operating Partnership and

each such subsidiary entity has been consolidated with the Company for financial reporting purposes, except for two unconsolidated operating properties. Capitalized terms used herein and not defined are as defined elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2016.

Forward-Looking Statements

Forward-looking statements in this Item 7 as well as elsewhere in this Annual Report on Form 10-K 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

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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, governmental regulations, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond the Company's control; and

• Additional factors as discussed in Part I of this Annual Report on Form 10-K, particularly those under "Item 1A. Risk Factors".

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

Overview

Equity Residential ("EQR"), a Maryland real estate investment trust ("REIT") formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of rental apartment properties in urban and high-density suburban coastal gateway markets where today's affluent 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 December 31, 2016 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time, 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 December 31, 2016, the Company had approximately 2,700 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

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Business Objectives and Operating and Investing Strategies

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

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

• High home ownership costs;

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

• Urban core and high-density suburban locations with an attractive quality of life leading to high resident demand and retention;

• Favorable demographics contributing to a larger pool of target residents with a high propensity to rent apartments; and

• Higher barriers to entry where, because of land scarcity or government regulation, it is typically more difficult or costly to build new apartment properties, creating limits on new supply.

We believe our strategy also capitalizes on the increasing preference of renters of all ages to live in the urban core of cities or dense suburban locations near transit, entertainment and cultural amenities. Millennials, the 83 million people between ages 18 and 34, are a prime apartment rental demographic. Reports also show a growing trend among aging Baby Boomers, a demographic of more than 76 million people between the ages of 53 and 71, toward apartment rentals. We believe that both groups appreciate the locational values described above as well as the flexibility that rental apartments offer.

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

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

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture agreements. In addition, the Company may acquire properties in transactions that include the issuance of partnership interests in the Operating Partnership ("OP Units") as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. As part of its strategy, the Company purchases completed and fully occupied apartment properties, partially completed or partially occupied properties and may acquire land parcels to hold and/or sell based on market opportunities as well as options to buy more land in the future. The Company may also seek to acquire properties by purchasing defaulted or distressed debt that encumbers desirable properties in the hope of obtaining title to property through foreclosure or deed-in-lieu of foreclosure proceedings.

Over the past several years, the Company has done an extensive repositioning of its portfolio into urban and highly walkable, close-in suburban assets. Since 2005, the Company has sold nearly 198,000 apartment units primarily

located in the less dense portion of suburban markets for an aggregate sales price of approximately \$23.5 billion, acquired nearly 69,000 apartment units primarily located in urban and high-density suburban markets for approximately \$20.0 billion and began approximately \$5.7 billion of development projects primarily located in urban and high-density suburban markets. We are currently seeking to acquire and develop assets in the following six core coastal metropolitan areas: Boston, New York, Washington D.C., Southern California, San Francisco and Seattle. The sale of the Starwood Portfolio combined with the other 2016 dispositions has resulted in the Company's exit from the South Florida, Denver and New England (excluding Boston) markets and has substantially completed the Company's portfolio transformation which started approximately ten years ago. See further discussion below regarding the Company's 2016 disposition activity.

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We endeavor to attract and retain the best employees by providing them with the education, resources and opportunities to succeed. We have a commitment to diversity in all of its forms and strive to promote and maintain a work environment where all employees are treated with dignity and respect, offered opportunities for professional development and valued for their unique contributions to the Company's success. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensively train our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or junior positions. We monitor our employees' engagement by surveying them annually and have consistently received high engagement scores.

We have a commitment to sustainability and consider the environmental impacts of our business activities. Sustainability and social responsibility are key drivers of our focus on creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban and close-in suburban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water usage by investing in energy saving technology while positively impacting the experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. The Company was named the 2016 Global Residential Listed Sector Leader in Sustainability by GRESB, a globally recognized analysis of the sustainability indicators of more than 750 real estate portfolios worldwide. The Company was also recently awarded the Residential Leader in the Light award for sustainability by NAREIT. For additional information regarding our sustainability efforts, see our December 2016 Corporate Social Responsibility and Sustainability Report at our website, www.equityapartments.com. For 2017, we continue to have an express company-wide goal regarding enhanced sustainability efforts. Employees, including our executives, will have their performance against our various social responsibility goals evaluated as part of our annual performance review process.

Current Environment

Following the approval by the Company's Board of Trustees, 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"). On January 26 and 27, 2016, the Company closed on the sale of the entire portfolio described above. The sale of the Starwood Portfolio, combined with the other 2016 dispositions, has resulted in the Company's exit from the South Florida, Denver and New England (excluding Boston) markets and has substantially completed the Company's portfolio transformation which started approximately ten years ago. These sales have narrowed the Company's focus, which is now entirely directed towards our six coastal markets. We believe the assets sold will have lower long-term returns (as compared to investments in our six coastal markets) and that we sold them for prices that are favorable. Given the strong demand for multifamily assets in our six coastal markets from institutional investors and the challenge in recycling \$6.8 billion of capital in this competitive marketplace, the Company believed the best risk-adjusted use of the sale proceeds was to distribute a portion to our shareholders and use the remainder to repay outstanding debt (see further discussion below).

The Company used the majority of the proceeds from the Starwood Transaction and other 2016 dispositions to pay two special dividends to its shareholders and holders of OP Units of \$11.00 per share/unit in the aggregate. The Company paid special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per

share/unit (approximately \$1.1 billion) on October 14, 2016. The Company used the majority of the remaining proceeds to reduce aggregate indebtedness in order to make the transaction leverage neutral. The Company retired approximately \$2.0 billion in secured and unsecured debt, the majority of which was scheduled to mature in 2016 and 2017, improving the Company's already strong credit metrics.

As a result of the Starwood Transaction and the other 2016 completed dispositions, the Company's portfolio has changed significantly from the portfolio summary included in the Company's 2015 Annual Report on Form 10-K. The following table sets forth certain information by market relating to the Company's properties at December 31, 2016 as compared to December 31, 2015:

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Markets/Metro Areas	Portfolio Summary as of December 31, 2015				Portfolio Summary as of December 31, 2016			
	Properties	Apartment Units	% of Stabilized NOI (A)	Average Rental Rate (B)	Properties	Apartment Units	% of Stabilized NOI (A)	Average Rental Rate (B)
Los Angeles	70	16,064	14.5 %	\$ 2,209	70	15,857	18.3 %	\$ 2,382
Orange County	12	3,684	3.1 %	1,918	12	3,684	3.9 %	2,028
San Diego	13	3,505	3.1 %	2,097	13	3,505	3.9 %	2,198
Subtotal – Southern California	95	23,253	20.7 %	2,144	95	23,046	26.1 %	2,295
San Francisco	52	13,212	14.9 %	2,661	54	12,959	19.7 %	3,064
New York	40	10,835	17.3 %	3,835	40	10,632	17.9 %	3,751
Washington D.C.	57	18,656	17.1 %	2,182	47	15,637	17.6 %	2,341
Boston	35	8,018	9.6 %	2,632	26	7,007	10.7 %	2,819
Seattle	44	8,756	7.6 %	1,955	37	7,096	8.0 %	2,161
South Florida	34	10,934	7.2 %	1,682	—	—	—	—
Denver	19	6,935	4.6 %	1,556	—	—	—	—
Other Markets	13	2,633	1.0 %	1,183	1	136	— %	1,146
Total	389	103,232	100.0 %	2,306	300	76,513	100.0 %	2,674
Unconsolidated Properties	3	1,281	—	—	2	945	—	—
Military Housing	2	5,139	—	—	—	—	—	—
Grand Total	394	109,652	100.0 %	\$ 2,306	302	77,458	100.0 %	\$ 2,764

Note: Projects under development are not included in the Portfolio Summary until construction has been completed.

(A) % of Stabilized NOI – For the December 31, 2016 Portfolio Summary, represents budgeted 2017 NOI for stabilized properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up. For the December 31, 2015 Portfolio Summary, represents actual 2015 NOI for stabilized properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(B) Average Rental Rate – Total residential rental revenues divided by the weighted average occupied apartment units for the reporting period presented.

During the year ended December 31, 2016, the Company acquired four consolidated rental properties consisting of 573 apartment units for \$249.3 million. The Company acquired these properties primarily in order to protect the tax status of certain unaffiliated third parties arising from the Starwood Transaction. During the year ended December 31, 2016, the Company sold 98 consolidated rental properties consisting of 29,440 apartment units for \$6.8 billion, which includes the sale of the Starwood Portfolio described above. The Company also sold one unconsolidated rental property consisting of 336 apartment units for \$74.5 million, with the Company's share of the net sales proceeds approximating \$12.4 million. In addition, the Company sold three land parcels for \$57.5 million during the year ended December 31, 2016. The Company currently budgets consolidated rental acquisitions of approximately \$500.0 million during the year ending December 31, 2017 to be funded with proceeds from rental dispositions. The Company

currently budgets consolidated rental dispositions of approximately \$500.0 million during the year ending December 31, 2017.

The Company has been reducing its development spending and starts in response to high land prices and low projected returns on investment. During the year ended December 31, 2016, the Company started construction on one project representing 222 apartment units totaling approximately \$88.0 million of development costs and substantially completed construction on five projects representing 2,141 apartment units totaling approximately \$1.1 billion of development costs. The Company currently budgets no development starts during the year ending December 31, 2017. We currently budget spending approximately \$300.0 million on development costs during the year ending December 31, 2017, primarily for projects currently under construction. We currently anticipate having only \$40.0 million remaining to spend during the year ending December 31, 2018 for projects currently under construction. We expect that this capital will be primarily sourced with excess operating cash flow, future debt offerings and borrowings on our revolving credit facility and/or commercial paper program.

We currently have access to multiple sources of capital including the equity markets as well as both the secured and unsecured debt markets. In February 2015, the Company entered into a \$500.0 million commercial paper program, which allows for daily, weekly or monthly borrowings at low floating rates of interest. We believe this commercial paper program allows the

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Company to continue to reduce its already low cost of capital and we generally use the program to replace a portion of the amount that otherwise would have been outstanding under our revolving line of credit (see further discussion below). In October 2016, the Company completed a \$500.0 million unsecured ten year note offering with a coupon of 2.85% and an all-in effective interest rate of approximately 3.10%. The Company has budgeted \$300.0 million to \$500.0 million of secured or unsecured debt offerings during 2017, excluding usage of the commercial paper program.

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. We reduced the size of the facility to reflect the reduction in the size of the Company and the prepayment of a significant amount of debt during the first quarter of 2016. In the process, we were able to reduce the borrowing costs associated with this facility.

We believe that cash and cash equivalents, securities readily convertible to cash, excess operating cash flow, current availability on our revolving credit facility and commercial paper program, future debt offerings and disposition proceeds for 2017 will provide sufficient liquidity to meet our funding obligations relating to asset acquisitions, debt maturities and/or prepayments and existing development projects through 2017. We expect that our remaining longer-term funding requirements will be met through some combination of new borrowings, equity issuances, property dispositions, joint ventures and cash generated from operations.

Through their lender originator networks, Fannie Mae and Freddie Mac (the "Government Sponsored Enterprises" or "GSEs") are significant lenders and enhancers of tax-exempt bonds both to the Company and to buyers of the Company's properties. The GSEs have a mandate to support multifamily housing through their financing activities. Any changes to their mandates, reductions in their size or the scale of their activities or loss of key personnel could have an impact on the Company and may, among other things, lead to lower values for our assets and higher interest rates on our secured borrowings. The Company has access to multiple other forms of public and private capital and over time, we would expect that other lenders, including banks, the commercial mortgage-backed securities market and life insurance companies, will become larger sources of secured debt capital to the multifamily market, particularly as it relates to the Company's high quality apartment properties.

Same store revenues increased 3.7% during the year ended December 31, 2016 as compared to the same period in 2015. The full year 2016 results were below our original expectations due primarily to elevated levels of new luxury supply combined with slower job growth in the financial services and technology sectors in the New York and San Francisco markets, which made up approximately 38% of our NOI. We anticipate these trends continuing into 2017 and as a result currently estimate same store revenue increases ranging from 1.00% to 2.25% for 2017 as compared to 2016. Although occupancy rates remain strong across our portfolio, increased supply and slowing growth in higher paying jobs in many of our markets causes the Company to anticipate revenue growth in 2017 will be lower than 2016.

Washington D.C. continues to slowly and steadily improve, driven primarily by strong job growth. While the new administration issued a federal hiring freeze, we remain confident that demographics will continue to drive strong demand for apartments. Though new supply levels remain elevated, only about one-third of that supply is located in our submarkets. We expect continued slow improvement and expect to produce same store revenue growth of approximately 1.8% in this market in 2017.

In the New York market, elevated deliveries of new luxury supply in the Upper West Side and Brooklyn submarkets are having an impact on our ability to raise rents as renters trend towards affordability over 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. In order to remain competitive with this new supply, we offered rent concessions and increased leasing and advertising expenses throughout 2016 and will likely continue to do so during 2017. As a result, we expect there to be a decline in same store revenues of approximately 1.5% in 2017.

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 75% 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. We expect to produce same store revenue growth of approximately 1.5% in this market in 2017.

Seattle is producing solid rental rate growth. Strong demand is being driven by the continued growth in technology jobs in the market. While new supply remains elevated in this market, the strong job growth has enabled that supply to be fully absorbed with little disruption. Therefore, we would expect Seattle to perform well through 2017, producing same store revenue growth of

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approximately 4.25%.

San Francisco experienced significant volatility during peak leasing season as certain submarkets experienced elevated levels of new luxury supply combined with slower job growth in the technology sector. Currently, the market seems relatively stable, though with minimal pricing power on new leases. The market still features good demand as evidenced by how rapidly our newly completed development projects are leasing up. However, consumers have more choices as new supply continues to be delivered into most of our submarkets during 2017, limiting our pricing power. As a result, we expect to produce same store revenue growth of approximately 1.0% in this market in 2017.

Los Angeles 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 a high level of job growth in the market are driving strong revenue growth. We expect to produce same store revenue growth of approximately 3.6% in this market in 2017. We expect our remaining markets in Southern California (Orange County and San Diego) to perform slightly better than Los Angeles.

Same store expenses increased 3.3% during the year ended December 31, 2016 as compared to the same period in 2015. The full year 2016 results were slightly worse than our original expectations due to the following items:

Real estate taxes increased 5.9% for the full year 2016 primarily due to rate and value increases in certain states and municipalities, reflecting those states' and municipalities' continued economic challenges and the dramatic improvement in apartment values and fundamentals, the contractual annual reduction in the benefits of 421-a tax abatements in New York City and an adverse legal decision regarding the calculation of property taxes for certain properties in New Jersey; and

• Payroll costs increased by 3.1% in 2016 over 2015 primarily due to an increase in on-site staffing to remain competitive within challenging markets, as well as higher on-site wages due to competition from new supply.

We anticipate same store expense increases ranging from 3.0% to 4.0% for 2017 as compared to 2016 due to the following items:

Real estate taxes are estimated to increase between 4.0% and 5.0% due primarily to increased values in most markets partially offset by declining rates. We expect 1.8 percentage points of the increase coming from 421-a tax abatement benefits expiring in New York;

• Payroll costs are estimated to increase between 4.0% and 5.0% primarily due to an increase in on-site staffing to remain competitive within challenging markets, as well as higher on-site wages due to competition from new supply;

• Utilities are estimated to increase approximately 2.0% primarily due to moderate increases in natural gas costs; and

• Repair and maintenance expenses are estimated to be approximately \$1.0 million higher due to increases in the minimum wage that impact our outside cleaning and landscaping vendors.

We anticipate same store NOI increases ranging from 0.0% to 2.0% for 2017 as compared to 2016 as a result of the above same store revenue and expense expectations.

The Company expects total overhead costs (property management expense and general and administrative expense) to decline approximately \$3.0 million in 2017 over 2016 as we have largely completed right sizing our overhead platform to our smaller asset size. As certain of the Company's overhead costs are fixed and/or not quickly scalable, the Company anticipates overhead costs as a percentage of total revenues will remain elevated as compared to 2015 levels, though slightly lower as compared to 2016 levels.

We believe that the Company is well-positioned in the long-term as a result of favorable demographics and increasing consumer preferences for the flexibility of rental housing. As of December 31, 2016, the Company's same store occupancy was 95.7% and its total portfolio-wide occupancy was 94.6%. We believe our markets/metro areas will continue to see increased luxury multifamily supply, especially in our urban core locations, and there will continue to be periods of disruption as new development projects lease up. We believe over the longer term that our markets will absorb future supply because of the strong long-term demand in these markets as exhibited by our current high occupancy levels and increasing household formations. We have seen evidence of this in Seattle as elevated levels of new supply have been absorbed and rental rates continue to grow. We also anticipate supply declining in our markets beginning in 2018, with the possible exception of New York, because of high construction costs, lower revenue growth and development lenders materially reducing their lending activities due to regulatory pressures and concerns over markets being overbuilt.

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

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Results of Operations

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 during the years ended December 31, 2016 and December 31, 2015. In summary, we:

Year Ended December 31, 2016:

Acquired four consolidated apartment properties consisting of 573 apartment units for \$249.3 million at a weighted average Acquisition Cap Rate (see definition below) of 4.8%;

Sold 98 consolidated apartment properties consisting of 29,440 apartment units for \$6.8 billion, which includes the sale of the Starwood Portfolio consisting of 72 consolidated rental properties containing 23,262 apartment units for \$5.365 billion, at a weighted average Disposition Yield (see definition below) of 5.4% and generating an Unlevered IRR (see definition below) of 11.8%;

Sold one unconsolidated property consisting of 336 apartments units for \$74.5 million (our share of the net sales proceeds approximated \$12.4 million), generating a Disposition Yield of 5.6%;

Sold our entire interest in the management contracts and related rights associated with the military housing ventures at Joint Base Lewis McChord consisting of 5,161 apartment units for approximately \$63.3 million and sold three land parcels for \$57.5 million; and

Started the construction on one project consisting of 222 apartment units totaling approximately \$88.0 million of development costs and substantially completed construction on five projects consisting of 2,141 apartment units totaling approximately \$1.1 billion of development costs.

Year Ended December 31, 2015:

Acquired four consolidated apartment properties consisting of 625 apartment units for \$296.0 million at a weighted average Acquisition Cap Rate of 4.5% and three contiguous land parcels for \$27.8 million;

Sold eight consolidated apartment properties consisting of 1,857 apartments units as well as a 193,230 square foot medical office building for \$513.3 million at a weighted average Disposition Yield of 5.3% and generating an Unlevered IRR of 13.4%; and

Started construction on two projects consisting of 623 apartment units totaling approximately \$377.2 million of development costs and substantially completed construction on seven projects consisting of 1,546 apartments units totaling approximately \$831.7 million of development costs.

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 definitions of certain terms described above 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 refers to the internal rate of return calculated by the Company based on the timing and amount of (i) total revenue earned during the period owned by the

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Company and (ii) the gross sales price net of selling costs, offset by (iii) the undepreciated capital cost of the properties at the time of sale and (iv) total direct property operating expenses (including real estate taxes and insurance) incurred during the period owned by the Company. Each of the items (i), (ii), (iii) and (iv) is calculated in accordance with GAAP.

Properties that the Company owned and were stabilized (see definition below) for all of both 2016 and 2015 (the “2016 Same Store Properties”), which represented 69,879 apartment units, impacted the Company's results of operations. Properties that the Company owned for all of both 2015 and 2014 (the “2015 Same Store Properties”), which represented 96,286 apartment units, also impacted the Company's results of operations. Both the 2016 Same Store Properties and 2015 Same Store Properties are discussed in the following paragraphs.

The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the year ended December 31, 2016:

	Year Ended December 31, 2016	
	Properties	Apartment Units
Same Store Properties at December 31, 2015	358	96,286
2014 acquisitions	4	1,011
2016 dispositions	(98)	(29,440)
2016 dispositions not yet included in same store	2	396
Lease-up properties stabilized	7	1,690
Properties removed from same store (1)	(1)	(71)
Other	—	7
Same Store Properties at December 31, 2016	272	69,879

	Year Ended December 31, 2016	
	Properties	Apartment Units
Same Store	272	69,879
Non-Same Store:		
2016 acquisitions	4	573
2015 acquisitions	4	625
Properties removed from same store (1)	2	356
Master-Leased properties (2)	3	853
Lease-up properties not yet stabilized (3)	14	4,226
Other	1	1
Total Non-Same Store	28	6,634
Unconsolidated properties	2	945
Total Properties and Apartment Units	302	77,458

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.

- Includes one property containing 285 apartment units (Playa Pacifica in Hermosa Beach, California) which was removed from the same store portfolio in 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 2016 due to an affordable housing dispute which required significant portions of the property to be vacant for an extended releasing period. As of December 31, 2016, Playa Pacifica had an occupancy of only 66.2% and Acton Courtyard had an occupancy of 69.0%. These properties will not return to the same store portfolio until they are stabilized for all of the current and comparable periods presented.
- (1) Includes three properties containing 853 apartment units that are owned by the Company but the entire projects are master leased to a third party corporate housing provider and the Company earns monthly net rental income.
 - (2) Includes properties in various stages of lease-up and properties where lease-up has been completed but the properties were not stabilized for the comparable periods presented.
 - (3)

The Company's acquisition, disposition and completed development activities also impacted overall results of operations for the years ended December 31, 2016 and 2015. The impacts of these activities are discussed in greater detail in the following

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paragraphs.

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

For the year ended December 31, 2016, the Company reported diluted earnings per share/unit of \$11.68 compared to \$2.36 per share/unit for the year ended December 31, 2015. The difference is primarily due to approximately \$3.7 billion in higher gains on property sales and lower depreciation expense in 2016 compared to the same period in 2015 as a direct result of the significant sales activity in 2016, partially offset by significantly higher debt extinguishment costs in 2016 compared to 2015.

For the year ended December 31, 2016, income from continuing operations increased approximately \$3.6 billion when compared to the year ended December 31, 2015. The increase in continuing operations is discussed below.

For the year ended December 31, 2016, consolidated rental income decreased 11.5%, consolidated operating expenses (comprising of property and maintenance and real estate taxes and insurance) decreased 11.6% and consolidated NOI decreased 11.5% when compared to the year ended December 31, 2015. The declines are all primarily a result of the Company's significant disposition activity in 2016.

Revenues from the 2016 Same Store Properties increased \$78.1 million primarily as a result of an increase in average rental rates charged to residents. Expenses from the 2016 Same Store Properties increased \$20.2 million primarily as a result of an increase in real estate taxes, on-site payroll costs, repairs and maintenance expenses and leasing and advertising expenses, partially offset by lower utility costs. The following tables provide comparative same store results and statistics for the 2016 Same Store Properties:

2016 vs. 2015

Same Store Results/Statistics for 69,879 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics		
	Revenues	Expenses	NOI	Average Rental Rate (1)	Physical Occupancy (2)	Turnover (3)
2016	\$2,177,304	\$634,120	\$1,543,184	\$2,597	96.0 %	54.4 %
2015	\$2,099,166	\$613,924	\$1,485,242	\$2,504	96.1 %	54.5 %
Change	\$78,138	\$20,196	\$57,942	\$93	(0.1 %)	(0.1 %)
Change	3.7	% 3.3	% 3.9	% 3.7	%	%

Note: Same store operating expenses and same store NOI no longer include an allocation of property management expenses either in the current or comparable periods.

(1)Average Rental Rate – Total residential rental revenues 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 2016 Same Store Properties:

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2016 vs. 2015

Same Store Operating Expenses for 69,879 Same Store Apartment Units

\$ in thousands

	Actual 2016	Actual 2015	\$ Change	% Change	% of Actual 2016 Operating Expenses	
Real estate taxes	\$264,689	\$249,916	\$14,773	5.9 %	41.7 %	
On-site payroll (1)	141,996	137,731	4,265	3.1 %	22.4 %	
Utilities (2)	88,261	91,586	(3,325)	(3.6 %)	13.9 %	
Repairs and maintenance (3)	81,600	79,366	2,234	2.8 %	12.9 %	
Insurance	17,055	16,428	627	3.8 %	2.7 %	
Leasing and advertising	9,928	8,341	1,587	19.0 %	1.6 %	
Other on-site operating expenses (4)	30,591	30,556	35	0.1 %	4.8 %	
Same store operating expenses	\$634,120	\$613,924	\$20,196	3.3 %	100.0 %	

Note: Same store operating expenses and same store NOI no longer include an allocation of property management expenses either in the current or comparable periods.

(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.

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 results:

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	Year Ended December 31,	
	2016	2015
	(Amounts in thousands)	
Operating income	\$856,086	\$1,009,238
Adjustments:		
Fee and asset management revenue	(3,567)	(8,387)
Property management	82,015	86,206
General and administrative	57,840	64,664
Depreciation	705,649	765,895
Total NOI	\$1,698,023	\$1,917,616
Rental income:		
Same store	\$2,177,304	\$2,099,166
Non-same store	244,929	637,412
Total rental income	2,422,233	2,736,578
Operating expenses:		
Same store	634,120	613,924
Non-same store	90,090	205,038
Total operating expenses	724,210	818,962
NOI:		
Same store	1,543,184	1,485,242
Non-same store	154,839	432,374
Total NOI	\$1,698,023	\$1,917,616

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	95.7%
Revenue change	1.0% to 2.25%
Expense change	3.0% to 4.0%
NOI change	0.0% to 2.0%

The Company anticipates consolidated rental acquisitions of \$500.0 million and consolidated rental dispositions of \$500.0 million and expects that the Acquisition Cap Rate will be 0.75% 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.

Non-same store NOI results decreased approximately \$277.5 million compared to the same period in 2015 and consist primarily of properties acquired in calendar years 2015 and 2016, operations from the Company's development properties and operations prior to disposition from 2016 sold properties (including the Starwood Portfolio). This decrease primarily resulted from:

• The lost NOI from 2015 and 2016 dispositions of \$333.2 million;

• A decrease in operating activities from other miscellaneous properties (including three master-leased properties) of \$1.2 million;

• A decrease in operating activities from other miscellaneous operations; and

• A partial offset from development and newly stabilized development properties in lease-up of \$50.8 million and

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operating properties acquired in 2015 and 2016 of \$15.2 million.

See also Note 17 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

Fee and asset management revenues decreased approximately \$4.8 million or 57.5% 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 as well as lower fees earned on management of the Company's unconsolidated joint ventures.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses decreased approximately \$4.2 million or 4.9%. This decrease is primarily attributable to a decrease in payroll-related costs, office rent and education conference fees, partially offset by increases in computer operations costs. The Company anticipates that property management expenses will approximate \$83.0 million to \$85.0 million for the year ending December 31, 2017. The above assumption is based on current expectations and is forward-looking.

General and administrative expenses from continuing operations, which include corporate operating expenses, decreased approximately \$6.8 million or 10.6% primarily due to a decrease in payroll-related costs, partially offset by an increase in directors fees and office rent. The Company anticipates that general and administrative expenses will approximate \$50.0 million to \$52.0 million for the year ending December 31, 2017, excluding charges of approximately \$0.4 million related to the Company's current executive compensation program. The above assumption is based on current expectations and is forward-looking.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, decreased approximately \$60.2 million or 7.9% primarily as a result of no depreciation or a partial period of depreciation expense during the year ended December 31, 2016 related to the significant property sales in 2016 (including the Starwood Portfolio), partially offset by additional depreciation expense on properties acquired in 2016 and development properties placed in service.

Interest and other income from continuing operations increased approximately \$58.4 million primarily due 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 and approximate \$6.0 million gain from the sale of 421-a real estate tax certificates during the year ended December 31, 2016, neither of which occurred in 2015. The Company anticipates that interest and other income will approximate \$0.5 million for the year ending December 31, 2017. The above assumption is based on current expectations and is forward-looking.

Other expenses from continuing operations increased approximately \$7.4 million primarily due to increases in litigation/environmental reserve and/or settlement costs, property acquisition costs incurred in conjunction with the Company's 2016 acquisitions and the expensing of overhead (pursuit cost write-offs) as a result of fewer new development opportunities.

Interest expense from continuing operations, including amortization of deferred financing costs, increased approximately \$39.6 million or 8.7% primarily as a result of prepayment penalties and debt extinguishment costs associated with the repayment of approximately \$1.7 billion in debt principal prior to scheduled maturity, partially offset by lower interest expense as a result of these repayments. During the year ended December 31, 2016, the

Company capitalized interest costs of approximately \$51.5 million as compared to \$59.9 million for the year ended December 31, 2015. This capitalization of interest relates to consolidated projects under development. The effective interest cost on all indebtedness for the year ended December 31, 2016 was 4.68% as compared to 4.72% for the year ended December 31, 2015. The Company anticipates that interest expense from continuing operations, excluding debt extinguishment costs/prepayment penalties, will approximate \$362.6 million to \$379.0 million and capitalized interest will approximate \$23.0 million to \$28.0 million for the year ending December 31, 2017. The above assumptions are based on current expectations and are forward-looking.

Income and other tax expense from continuing operations increased approximately \$0.7 million or 75.9% primarily due to increases in various state and local taxes related to the Company's elevated disposition activity in 2016 vs. 2015. The Company anticipates that income and other tax expense will approximate \$0.5 million to \$1.5 million for the year ending December 31, 2017. The above assumption is based on current expectations and is forward-looking.

Income from investments in unconsolidated entities decreased approximately \$10.2 million or 68.0% primarily due to \$18.6 million in favorable litigation settlements which occurred during the year ended December 31, 2015, partially offset by a gain on the sale of one unconsolidated apartment property totaling \$8.8 million which occurred during the year ended December 31, 2016.

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Net gain on sales of real estate properties increased approximately \$3.7 billion as a result of the sale of 98 consolidated apartment properties (including the Starwood Portfolio) during the year ended December 31, 2016 as compared to only eight consolidated apartment property sales during the year ended December 31, 2015, all of which did not meet the new criteria for reporting discontinued operations. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Net gain on sales of land parcels increased approximately \$15.7 million due to the gain on sale of three land parcels during the year ended December 31, 2016 as compared to no land sales during the year ended December 31, 2015.

Discontinued operations, net increased approximately \$0.1 million or 30.5% between the periods under comparison. This increase is primarily due to the timing of trailing activity for properties sold in 2013 and prior years. The Company adopted the new discontinued operations standard effective January 1, 2014 and as a result, none of the properties sold during the year ended December 31, 2016 and 2015 met the new criteria for reporting discontinued operations. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

For the year ended December 31, 2015, the Company reported diluted earnings per share/unit of \$2.36 compared to \$1.73 per share/unit for the year ended December 31, 2014. The difference is primarily due to approximately \$122.3 million in higher gains on property sales as well as improved operations in 2015 vs. 2014.

For the year ended December 31, 2015, income from continuing operations increased approximately \$250.5 million when compared to the year ended December 31, 2014. The increase in continuing operations is discussed below.

Revenues from the 2015 Same Store Properties increased \$125.3 million primarily as a result of an increase in average rental rates charged to residents, higher occupancy and a decrease in turnover. Expenses from the 2015 Same Store Properties increased \$20.5 million primarily due to increases in real estate taxes, repairs and maintenance expenses and payroll/property management costs, partially offset by lower utility costs. The following tables provide comparative same store results and statistics for the 2015 Same Store Properties:

2015 vs. 2014

Same Store Results/Statistics for 96,286 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics			
	Revenues	Expenses	NOI	Average Rental Rate (1)	Occupancy	Turnover	
2015	\$2,566,705	\$837,880	\$1,728,825	\$2,314	96.1	%	54.5 %
2014	\$2,441,390	\$817,337	\$1,624,053	\$2,208	95.8	%	54.9 %
Change	\$125,315	\$20,543	\$104,772	\$106	0.3	%	(0.4 %)
Change	5.1	% 2.5	% 6.5	% 4.8	%		

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

The following table provides comparative same store operating expenses for the 2015 Same Store Properties:

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2015 vs. 2014

Same Store Operating Expenses for 96,286 Same Store Apartment Units

\$ in thousands

	Actual 2015	Actual 2014	\$ Change	% Change		% of Actual 2015 Operating Expenses	
Real estate taxes	\$296,484	\$282,487	\$13,997	5.0 %		35.4 %	
On-site payroll (1)	174,950	171,706	3,244	1.9 %		20.9 %	
Utilities (2)	118,986	123,296	(4,310)	(3.5 %)		14.2 %	
Repairs and maintenance (3)	104,033	98,168	5,865	6.0 %		12.4 %	
Property management costs (4)	77,001	73,242	3,759	5.1 %		9.2 %	
Insurance	21,335	23,909	(2,574)	(10.8 %)		2.6 %	
Leasing and advertising	10,370	10,605	(235)	(2.2 %)		1.2 %	
Other on-site operating expenses (5)	34,721	33,924	797	2.3 %		4.1 %	
Same store operating expenses	\$837,880	\$817,337	\$20,543	2.5 %		100.0 %	

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

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

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

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

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

The following table presents a reconciliation of operating income per the consolidated statements of operations and comprehensive income to NOI for the 2015 Same Store Properties:

	Year Ended December 31,	
	2015	2014
	(Amounts in thousands)	
Operating income	\$1,009,238	\$921,644
Adjustments:		
Non-same store operating results	(107,606)	(103,123)
Fee and asset management revenue	(8,387)	(9,437)
Fee and asset management expense	5,021	5,429
Depreciation	765,895	758,861
General and administrative	64,664	50,679
Same store NOI	\$1,728,825	\$1,624,053

Non-same store operating results increased approximately \$4.5 million and consist primarily of properties acquired in calendar years 2014 and 2015 as well as operations from the Company’s completed development properties. This increase primarily resulted from:

- Development and newly stabilized development properties in lease-up of \$27.8 million;
- Operating properties acquired in 2014 and 2015 of \$18.1 million;
- Operating activities from other miscellaneous operations; and
- Was mostly offset by lost NOI from 2014 and 2015 dispositions of \$41.8 million as well as a decrease in operating activities from other miscellaneous properties (including three master-leased properties) of \$2.2 million.

See also Note 17 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's segment disclosures.

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Fee and asset management revenues decreased approximately \$1.1 million or 11.1% primarily as a result of lower revenue earned on management of the Company's military housing ventures at Joint Base Lewis McChord and lower fees earned on management of the Company's unconsolidated development joint ventures.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses increased approximately \$1.1 million or 1.3%. This increase is primarily attributable to an increase in payroll-related costs and education/conferences fees.

General and administrative expenses from continuing operations, which include corporate operating expenses, increased approximately \$14.0 million or 27.6% primarily due to an increase in payroll-related costs, including an additional \$8.0 million related to the Company's revised executive compensation program.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, increased approximately \$7.0 million or 0.9% primarily as a result of additional depreciation expense on properties acquired in 2014 and 2015, development properties placed in service and capital expenditures for all properties owned, partially offset by no depreciation or a partial period of depreciation expense during the year ended December 31, 2015 for properties sold in 2015 and 2014 and properties classified as held for sale at December 31, 2015.

Interest and other income from continuing operations increased approximately \$2.9 million or 65.2% primarily due to the settlement of various litigation/insurance claims during the year ended December 31, 2015.

Other expenses from continuing operations decreased approximately \$6.1 million or 67.6% primarily due to litigation settlement costs recorded during the year ended December 31, 2014 that did not reoccur in 2015 as well as a reduction in the reserve for a litigation matter recorded during the year ended December 31, 2015, partially offset by an increase in the expensing of overhead (pursuit cost write-offs) as a result of a more active focus on sourcing new development opportunities.

Interest expense from continuing operations, including amortization of deferred financing costs, decreased approximately \$13.3 million or 2.8% primarily as a result of the repayment of \$300.0 million of 6.584% unsecured notes in April 2015, the repayment of \$500.0 million of 5.25% unsecured notes in September 2014, the repayment of the Company's \$750.0 million unsecured term loan facility in June 2014, mortgage payoffs and higher capitalized interest, partially offset by interest expense on \$750.0 million of unsecured notes that closed in May 2015 and \$1.2 billion of unsecured notes that closed in June 2014. During the year ended December 31, 2015, the Company capitalized interest costs of approximately \$59.9 million as compared to \$52.8 million for the year ended December 31, 2014. This capitalization of interest primarily relates to consolidated projects under development. The effective interest cost on all indebtedness for the year ended December 31, 2015 was 4.72% as compared to 4.74% for the year ended December 31, 2014.

Income and other tax expense from continuing operations decreased approximately \$0.5 million or 34.2% primarily due to decreases in estimated taxes related to properties sold and/or operated by the Company's TRS in 2015 vs. 2014.

Income from investments in unconsolidated entities increased approximately \$23.0 million primarily due to gains on the sale of certain assets owned by the Company's joint ventures with a joint venture partner and due to \$18.6 million in favorable litigation settlements, neither of which occurred during the year ended December 31, 2014.

Net gain on sales of real estate properties increased approximately \$122.4 million or 57.6% as a result of higher gains on the sale of eight consolidated apartment properties during the year ended December 31, 2015 as compared to ten consolidated property sales during the year ended December 31, 2014, all of which did not meet the new criteria for reporting discontinued operations. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Net gain on sales of land parcels decreased approximately \$5.3 million due to the gain on sale of three land parcels during the year ended December 31, 2014 as compared to no land sales during the year ended December 31, 2015.

Discontinued operations, net decreased approximately \$1.2 million or 74.9% between the periods under comparison. This decrease is primarily due to the Company's adoption of the new discontinued operations standard effective January 1, 2014. None of the properties sold during the years ended December 31, 2015 and 2014 met the new criteria for reporting discontinued operations and as a result, the amounts included in discontinued operations for the years ended December 31, 2015 and 2014 represent trailing activity for properties sold in 2013 and prior years. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

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Liquidity and Capital Resources

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.

As of January 1, 2016, the Company had approximately \$42.3 million of cash and cash equivalents and the amount available on its revolving credit facility was \$2.07 billion (net of \$45.1 million which was restricted/dedicated to support letters of credit and net of \$387.5 million 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 December 31, 2016 was approximately \$77.2 million 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 the \$20.0 million outstanding on the commercial paper program).

During the year ended December 31, 2016, the Company generated proceeds from various transactions, which included the following:

- Disposed of 98 consolidated rental properties (including the Starwood Portfolio) and three land parcels, receiving net proceeds of approximately \$6.8 billion;
- Disposed of one unconsolidated rental property, receiving net proceeds of approximately \$12.4 million;
- Disposed of its entire interest in the management contracts and related rights associated with the military housing ventures at Joint Base Lewis McChord along with the sale of certain 421-a real estate tax certificates, receiving net proceeds of approximately \$72.8 million;
- Issued \$500.0 million of ten-year 2.85% fixed rate public notes, receiving net proceeds of \$496.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of approximately 3.10%; and
- Issued approximately 0.9 million Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$39.5 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 year ended December 31, 2016, the above proceeds along with net cash flow from operations and availability on the Company's revolving line of credit and commercial paper program were primarily utilized to:

- Acquire four consolidated rental properties for approximately \$205.9 million in cash;
- Invest \$566.8 million primarily in development projects;
- Pay a special dividend of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 to shareholders/unitholders of record as of March 3, 2016 and a special dividend of \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016 to shareholders/unitholders of record as of September 26, 2016;
- Repay \$591.7 million of mortgage loans and incur a prepayment penalty of approximately \$31.7 million;
- Repay \$500.0 million of 5.125% unsecured notes maturing in 2016 and incur a prepayment penalty of approximately \$1.4 million;
- Repay \$400.0 million of 5.375% unsecured notes maturing in 2016 and incur a prepayment penalty of approximately \$9.5 million;
- Repay \$255.9 million of 5.750% unsecured notes maturing in 2017 and incur a prepayment penalty of approximately \$16.5 million;
- Repay \$46.1 million of 7.125% unsecured notes maturing in 2017 and incur a prepayment penalty of approximately \$4.6 million;
- Repay \$250.0 million of 4.625% unsecured notes maturing in 2021 and incur a prepayment penalty of approximately \$31.6 million; and

Repay \$48.0 million of 7.570% unsecured notes maturing in 2026 and incur a prepayment penalty of approximately \$19.3 million.

In September 2009, EQR announced the establishment of an At-The-Market (“ATM”) share offering program which would allow EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP’s partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). EQR may, but shall have no obligation to, sell Common Shares through the ATM share offering program in amounts and at times to be determined by EQR. Actual sales will depend on a variety of factors to be determined by EQR from time to time, including (among others) market conditions, the trading price of EQR’s Common Shares and determinations of the appropriate sources of funding for EQR. The program currently has a maturity of June 2019. EQR has the authority to issue 13.0 million shares but has

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not issued any shares under this program since September 2012. Through February 17, 2017, EQR has cumulatively issued approximately 16.7 million Common Shares at an average price of \$48.53 per share for total consideration of approximately \$809.9 million.

Depending on its analysis of market prices, economic conditions and other opportunities for the investment of available capital, EQR may repurchase its Common Shares pursuant to its existing share repurchase program authorized by the Board of Trustees. The Company may repurchase up to 13.0 million Common Shares under this program. EQR repurchased approximately \$1.8 million (31,240 shares at a price of \$56.87 per share) of its Common Shares (all related to the vesting of employees' restricted shares) during the year ended December 31, 2014. No open market repurchases have occurred since 2008. As of February 17, 2017, EQR has remaining authorization to repurchase up to 13.0 million of its shares. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

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

The Company's total debt summary and debt maturity schedules as of December 31, 2016 are as follows:

Debt Summary as of December 31, 2016

(\$ in thousands)

	Amounts (1)	% of Total	Weighted Average Rates (1)	Weighted Average Maturities (years)
Secured	\$4,119,181	45.8 %	4.34 %	6.0
Unsecured	4,868,077	54.2 %	4.48 %	10.0
Total	\$8,987,258	100.0 %	4.42 %	8.2
Fixed Rate Debt:				
Secured – Conventional	\$3,483,389	38.7 %	4.95 %	4.9
Unsecured – Public	4,397,829	49.0 %	4.90 %	10.8
Fixed Rate Debt	7,881,218	87.7 %	4.92 %	8.2
Floating Rate Debt:				
Secured – Conventional	7,042	0.1 %	0.56 %	16.9
Secured – Tax Exempt	628,750	7.0 %	1.06 %	11.8
Unsecured – Public (2)	450,250	5.0 %	1.28 %	2.5
Unsecured – Revolving Credit Facility	—	—	1.37 %	5.0
Unsecured – Commercial Paper Program (3)	19,998	0.2 %	0.90 %	—
Floating Rate Debt	1,106,040	12.3 %	1.13 %	8.0
Total	\$8,987,258	100.0 %	4.42 %	8.2

(1) Net of the effect of any derivative instruments. Weighted average rates are for the year ended December 31, 2016.

(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%.

(3) As of December 31, 2016, the weighted average maturity on the Company's outstanding commercial paper was 4 days.

Note: The Company capitalized interest of approximately \$51.5 million and \$59.9 million during the years ended December 31, 2016 and 2015, respectively.

Note: The Company recorded approximately \$24.3 and \$8.6 million of net debt discount/deferred derivative settlement amortization as additional interest expense during the years ended December 31, 2016 and 2015, respectively.

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Debt Maturity Schedule as of December 31, 2016
(\$ in thousands)

Year	Fixed Rate (1)	Floating Rate (1)	Total	% of Total	Weighted Average Rates on Fixed Rate Debt (1)	Weighted Average Rates on Total Debt (1)
2017	\$605,158	\$23,300	(2)\$628,458	6.9 %	6.19 %	5.99 %
2018	83,634	100,735	184,369	2.0 %	5.57 %	3.24 %
2019	807,680	478,357	1,286,037	14.1 %	5.47 %	3.96 %
2020	1,679,590	10,500	1,690,090	18.6 %	5.49 %	5.46 %
2021	928,557	12,600	941,157	10.3 %	4.64 %	4.59 %
2022	266,447	13,800	280,247	3.1 %	3.27 %	3.14 %
2023	1,327,965	15,300	1,343,265	14.8 %	3.74 %	3.71 %
2024	2,498	17,100	19,598	0.2 %	4.97 %	1.23 %
2025	452,625	19,600	472,225	5.2 %	3.38 %	3.27 %
2026	594,783	21,700	616,483	6.8 %	3.59 %	3.49 %
2027+	1,177,033	457,665	1,634,698	18.0 %	4.54 %	3.46 %
Subtotal	7,925,970	1,170,657	9,096,627	100.0 %	4.72 %	4.20 %
Deferred Financing Costs	(33,605)	(9,012)	(42,617)	N/A	N/A	N/A
Premium/(Discount)	(11,147)	(55,605)	(66,752)	N/A	N/A	N/A
Total	\$7,881,218	\$1,106,040	\$8,987,258	100.0 %	4.72 %	4.20 %

(1) Net of the effect of any derivative instruments. Weighted average rates are as of December 31, 2016.

(2) Includes \$20.0 million in principal outstanding on the Company's unsecured commercial paper program. The company may borrow up to a maximum of \$500.0 million on the program subject to market conditions.

The following table provides a summary of the Company's unsecured debt as of December 31, 2016:

Table of ContentsUnsecured Debt Summary as of December 31, 2016
(\$ in thousands)

	Interest Rate	Due Date	Amount
Fixed Rate Notes:			
	5.750%	06/15/17	\$394,077
	7.125%	10/15/17	103,898
	4.750%	07/15/20	600,000
	4.625%	12/15/21	750,000
	3.000%	04/15/23	500,000
	3.375%	06/01/25	450,000
	7.570%	08/15/26	92,025
	2.850%	11/01/26	500,000
	4.500%	07/01/44	750,000
	4.500%	06/01/45	300,000
Deferred Financing Costs and Unamortized (Discount)			(42,171)
			4,397,829
Floating Rate Notes:			
	(1)	07/01/19	450,000
Fair Value Derivative Adjustments	(1)	07/01/19	1,857
Deferred Financing Costs and Unamortized (Discount)			(1,607)
			450,250
Line of Credit and Commercial Paper:			
Revolving Credit Facility (2) (3)	LIBOR+0.825%	01/10/22	—
Commercial Paper Program (2) (4)			20,000
Unamortized Commercial Paper (Discount)			(2)
			19,998
Total Unsecured Debt			\$4,868,077

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

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

On November 3, 2016, the Company replaced its existing \$2.5 billion facility with a new \$2.0 billion unsecured revolving credit facility maturing January 10, 2022. The interest rate on advances under the new credit facility will generally be LIBOR plus a spread (currently 0.825%) and an annual facility fee (currently 12.5 basis points). Both (3) the spread and the facility fee are dependent on the credit rating of the Company's long term debt. As of December 31, 2016, there was approximately \$1.96 billion available on the Company's unsecured revolving credit facility (net of \$20.6 million which was restricted/dedicated to support letters of credit and \$20.0 million outstanding on the commercial paper program).

The Company may borrow up to a maximum of \$500.0 million on the commercial paper program subject to market (4) conditions. The notes bear interest at various floating rates with a weighted average of 0.90% for the year ended December 31, 2016 and a weighted average maturity of 4 days as of December 31, 2016.

EQR and ERPOP currently have an active universal shelf registration statement for the issuance of equity and debt securities that automatically became effective upon filing with the SEC on June 28, 2016 and expires on June 28, 2019. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the

capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2016 is presented in the following table. The Company calculates the equity component of its market capitalization as the sum of (i) the total outstanding Common Shares and assumed conversion of all Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preferred shares outstanding.

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Equity Residential

Capital Structure as of December 31, 2016

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

Secured Debt		\$4,119,181	45.8 %	
Unsecured Debt		4,868,077	54.2 %	
Total Debt		8,987,258	100.0%	26.8 %
Common Shares (includes Restricted Shares)	365,870,924	96.2 %		
Units (includes OP Units and Restricted Units)	14,626,075	3.8 %		
Total Shares and Units	380,496,999	100.0%		
Common Share Price at December 31, 2016	\$ 64.36			
		24,488,787	99.8 %	
Perpetual Preferred Equity (see below)		37,280	0.2 %	
Total Equity		24,526,067	100.0%	73.2 %
Total Market Capitalization		\$33,513,325		100.0%

Equity Residential

Perpetual Preferred Equity as of December 31, 2016

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

Series	Redemption Date	Outstanding Shares	Liquidation Value	Annual Dividend Per Share	Annual Dividend Amount
Preferred Shares:					
8.29% Series K	12/10/26	745,600	\$ 37,280	\$ 4.145	\$ 3,091
Total Perpetual Preferred Equity		745,600	\$ 37,280		\$ 3,091

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2016 is presented in the following table. The Operating Partnership calculates the equity component of its market capitalization as the sum of (i) the total outstanding Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preference units outstanding.

ERP Operating Limited Partnership

Capital Structure as of December 31, 2016

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

Secured Debt		\$4,119,181	45.8 %	
Unsecured Debt		4,868,077	54.2 %	
Total Debt		8,987,258	100.0%	26.8 %
Total Outstanding Units	380,496,999			
Common Share Price at December 31, 2016	\$ 64.36			
		24,488,787	99.8 %	
Perpetual Preference Units (see below)		37,280	0.2 %	
Total Equity		24,526,067	100.0%	73.2 %
Total Market Capitalization		\$33,513,325		100.0%

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ERP Operating Limited Partnership

Perpetual Preference Units as of December 31, 2016

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

Series	Redemption Date	Outstanding Units	Liquidation Value	Annual Dividend Per Unit	Annual Dividend Amount
Preference Units:					
8.29% Series K	12/10/26	745,600	\$ 37,280	\$ 4.145	\$ 3,091
Total Perpetual Preference Units		745,600	\$ 37,280		\$ 3,091

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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.

The Company has a flexible dividend policy which it believes will generate payouts closely aligned with the actual annual operating results of the Company's core business and provide transparency to investors. Beginning in 2014, the Company began paying its annual dividend based on 65% of the midpoint of the range of Normalized FFO guidance customarily provided as part of the Company's fourth quarter earnings release. The Company's 2016 regular annual dividend payout was \$2.015 per share/unit and the Company paid four regular quarterly dividends of \$0.50375 per share/unit in 2016. In addition to the regular quarterly dividends, the Company paid two special dividends to its shareholders and holders of OP Units of \$11.00 per share/unit in the aggregate. The Company paid special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016. All future dividends remain subject to the discretion of the Board of Trustees.

While our current dividend policy makes it less likely that we will over distribute, it will also lead to a dividend reduction more quickly should operating results deteriorate or large portfolio sales occur. However, whether due to changes in the dividend policy or otherwise, there may be times when the Company experiences shortfalls in its coverage of distributions, which may cause the Company to consider reducing its distributions and/or using the proceeds from property dispositions or additional financing transactions to make up the difference. Should these shortfalls occur for lengthy periods of time or be material in nature, the Company's financial condition may be adversely affected and it may not be able to maintain its current distribution levels. The Company believes that its expected 2017 operating cash flow will be sufficient to cover capital expenditures and regular dividends/distributions.

The Company also 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 \$25.4 billion in investment in real estate on the Company's balance sheet at December 31, 2016, \$18.7 billion or 73.8% was unencumbered. However, there can be no assurances that these sources of capital will be available to the Company in the future on acceptable terms or otherwise.

ERPOP's long-term senior debt ratings and short-term commercial paper ratings as well as EQR's long-term preferred equity ratings as of February 17, 2017 are as follows:

	Standard & Poor's	Moody's	Fitch
ERPOP's long-term senior debt rating	A-	Baa1 (1)	A-
ERPOP's short-term commercial paper rating	A-2	P-2	F-2
EQR's long-term preferred equity rating	BBB	Baa2 (2)	BBB

(1) Moody's rated ERPOP's long-term senior debt with a positive outlook.

(2) Moody's rated EQR's long-term preferred equity with a positive outlook.

The long-term ratings listed above were reaffirmed following the Company's announcement of the Starwood Transaction and other 2016 dispositions.

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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The Company's previous \$2.5 billion unsecured revolving credit facility was set to mature on April 2, 2018. The Company had the ability to increase available borrowings by an additional \$500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the facility was generally LIBOR plus a spread (was 0.95% at termination), or based on bids received from the lending group, and the Company paid an annual facility fee (was 15 basis points at termination). Both the spread and the facility fee were 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 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. The Company does not intend to borrow more than \$2.0 billion on the commercial paper program and new revolving credit facility combined. As of February 17, 2017, there was a balance of \$100.0 million outstanding on the commercial paper program.

As of February 17, 2017, no amounts were outstanding and the amount available on the revolving credit facility was \$1.88 billion (net of \$20.6 million which was restricted/dedicated to support letters of credit and net of the \$100.0 million 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.

See Note 18 in the Notes to Consolidated Financial Statements for discussion of the events which occurred subsequent to December 31, 2016.

Capitalization of Fixed Assets and Improvements to Real Estate

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

Replacements (inside the apartment unit). These include:

- flooring such as carpets, hardwood, vinyl or tile;
- appliances;
- mechanical equipment such as individual furnace/air units, hot water heaters, etc;
- furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors, countertops, etc; and
- blinds.

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

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

- roof replacement and major repairs;
- paving or major resurfacing of parking lots, curbs and sidewalks;
- amenities and common areas such as pools, exterior sports and playground equipment, lobbies, clubhouses, laundry rooms, alarm and security systems and offices;
- major building mechanical equipment systems;
- interior and exterior structural repair and exterior painting and siding;
- major landscaping and grounds improvement; and

•vehicles and office and maintenance equipment.

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

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For the year ended December 31, 2016, our actual improvements to real estate totaled approximately \$172.2 million. This includes the following (amounts in thousands except for apartment unit and per apartment unit amounts):

Capital Expenditures to Real Estate

For the Year Ended December 31, 2016

	Total Apartment Units (1)	Replacements (2)	Avg. Per Apartment Unit	Building Improvements (3)	Avg. Per Apartment Unit	Total	Avg. Per Apartment Unit
Same Store Properties (4)	69,879	\$ 75,298	\$ 1,077	\$ 80,890	\$ 1,158	\$156,188	\$ 2,235
Non-Same Store Properties (5)	6,634	4,494	851	7,685	1,456	12,179	2,307
Other (6)	—	2,744		1,066		3,810	
Total	76,513	\$ 82,536		\$ 89,641		\$172,177	

(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.

Replacements – Includes new expenditures inside the apartment units such as appliances, mechanical equipment, fixtures and flooring, including carpeting. Replacements for same store properties also include \$47.0 million spent (2) during 2016 on apartment unit renovations/rehabs (primarily kitchens and baths) on approximately 4,200 same store apartment units (equating to approximately \$11,200 per apartment unit rehabbed) designed to reposition these units for higher rental levels in their respective markets.

Building Improvements – Includes roof replacement, paving, amenities and common areas, building mechanical (3) equipment systems, exterior painting and siding, major landscaping, vehicles and office and maintenance equipment.

(4) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2015, less properties subsequently sold.

Non-Same Store Properties – Primarily includes all properties acquired during 2015 and 2016, plus any properties in (5) lease-up and not stabilized as of January 1, 2015. Per apartment unit amounts are based on a weighted average of 5,279 apartment units.

(6) Other – Primarily includes expenditures for properties sold and properties under development.

For the year ended December 31, 2015, our actual improvements to real estate totaled approximately \$182.1 million. This includes the following (amounts in thousands except for apartment unit and per apartment unit amounts):

Capital Expenditures to Real Estate

For the Year Ended December 31, 2015

	Total Apartment Units (1)	Replacements (2)	Avg. Per Apartment Unit	Building Improvements (3)	Avg. Per Apartment Unit	Total	Avg. Per Apartment Unit
Same Store Properties (4)	96,286	\$ 98,120	\$ 1,019	\$ 75,294	\$ 782	\$173,414	\$ 1,801
Non-Same Store Properties (5)	6,946	1,870	335	6,293	1,127	8,163	1,462
Other (6)	—	302		234		536	
Total	103,232	\$ 100,292		\$ 81,821		\$182,113	

(1) Total Apartment Units – Excludes 1,281 unconsolidated apartment units and 5,139 military housing apartment units for which capital expenditures to real estate are self-funded and do not consolidate into the Company's results.

(2) Replacements – Includes new expenditures inside the apartment units such as appliances, mechanical equipment, fixtures and flooring, including carpeting. Replacements for same store properties also include \$60.6 million spent in 2015 on apartment unit renovations/rehabs (primarily kitchens and baths) on 6,499 same store apartment units (equating to about \$9,300 per apartment unit rehabbed) designed to reposition these assets for higher rental levels

in their respective markets.

(3) Building Improvements – Includes roof replacement, paving, amenities and common areas, building mechanical equipment systems, exterior painting and siding, major landscaping, vehicles and office and maintenance equipment.

(4) Same Store Properties – Primarily includes all properties acquired or completed and stabilized prior to January 1, 2014, less properties subsequently sold.

(5) Non-Same Store Properties – Primarily includes all properties acquired during 2014 and 2015, plus any properties in lease-up and not stabilized as of January 1, 2014. Per apartment unit amounts are based on a weighted average of 5,582 apartment units.

(6) Other – Primarily includes expenditures for properties sold and properties under development.

The Company estimates that during 2017 it will spend approximately \$2,600 per apartment unit of capital expenditures, inclusive of apartment unit renovation/rehab costs, or \$1,900 per apartment unit excluding apartment unit renovation/rehab costs. During 2017, the Company expects to spend approximately \$50.0 million for all unit renovation/rehab costs (primarily on same store properties) at a weighted average cost of \$11,000 per apartment unit rehabbed. These anticipated amounts represent an

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increase as a percentage of rental revenues, in the cost per unit and in the absolute dollar amounts over 2016. These increases include approximately \$17.0 million of additional estimated expenditures for resident focused renovation projects such as common areas and exercise rooms in order to remain competitive with the new luxury supply being delivered in many of our markets. We will continue to create value from our properties by doing those rehabs that meet our investment parameters. The above assumptions are based on current expectations and are forward-looking.

During the year ended December 31, 2016, 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 \$5.7 million. The Company expects to fund approximately \$3.1 million in total non-real estate capital additions in 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 December 31, 2016.

Other

Total distributions paid in January 2017 amounted to \$192.3 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the fourth quarter ended December 31, 2016.

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.

Operating Properties

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. The 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 December 31, 2016, the basis of this investment was \$46.9 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 \$5.0 million at December 31, 2016. The Domain joint venture owns a 444 unit apartment property located in San Jose, California and the

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Company's interest had a basis of \$9.3 million at December 31, 2016. Nexus Sawgrass and Domain were completed and stabilized during the quarters ended September 30, 2014 and March 31, 2015, respectively. Construction on both properties was predominantly 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, was responsible for constructing both of the properties and gave certain construction cost overrun guarantees, 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. The Company currently has no further funding obligations related to these properties.

Other

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 initial investment was \$147.6 million and the Company's basis at December 31, 2016 was a net obligation of \$1.1 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 December 31, 2016, the remaining preferred interests had an aggregate liquidation value of \$39.9 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.

As of December 31, 2016, the Company has six wholly owned projects totaling 2,064 apartment units in various stages of development with estimated completion dates ranging through December 31, 2018, as well as other completed development projects that are in various stages of lease up or are stabilized. See also Note 16 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's development projects.

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

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The following table summarizes the Company's contractual obligations for the next five years and thereafter as of December 31, 2016:

Payments Due by Year (in thousands)

Contractual Obligations	2017	2018	2019	2020	2021	Thereafter	Unamortized Cost/Discounts	Total
Debt:								
Principal (a)	\$628,458	\$184,369	\$1,286,037	\$1,690,090	\$941,157	\$4,366,516	\$(109,369)	\$8,987,258
Interest (b)	367,157	331,165	285,074	222,930	188,420	1,471,663	—	2,866,409
Operating Leases:								
Minimum Rent Payments (c)	15,917	16,027	15,890	15,489	15,256	826,259	—	904,838
Other Long-Term Liabilities:								
Deferred Compensation (d)	1,387	1,723	1,128	1,079	1,079	4,383	—	10,779
Total	\$1,012,919	\$533,284	\$1,588,129	\$1,929,588	\$1,145,912	\$6,668,821	\$(109,369)	\$12,769,284

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(a) Amounts include aggregate principal payments only.

(b) Amounts include interest expected to be incurred on the Company's secured and unsecured debt based on obligations outstanding at December 31, 2016 and inclusive of capitalized interest. For floating rate debt, the current rate in effect for the most recent payment through December 31, 2016 is assumed to be in effect through the respective maturity date of each instrument.

(c) Minimum basic rent due for various office space the Company leases and fixed base rent due on ground leases for 11 properties.

(d) Estimated payments to the Company's Chairman, Vice Chairman and one former CEO based on actual and planned retirement dates.

Critical Accounting Policies and Estimates

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

The Company's significant accounting policies are described in Note 2 in the Notes to Consolidated Financial Statements. These policies were followed in preparing the consolidated financial statements at and for the year ended December 31, 2016 and are consistent with the year ended December 31, 2015.

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

Acquisition of Investment Properties

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

Impairment of Long-Lived Assets

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

Depreciation of Investment in Real Estate

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

Cost Capitalization

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

For all development projects, the Company uses its professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company capitalizes interest, real estate taxes and insurance and

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payroll and associated costs for those individuals directly responsible for and who spend their time on development activities, with capitalization ceasing no later than 90 days following issuance of the certificate of occupancy. These costs are reflected on the balance sheets as construction-in-progress for each specific property. The Company expenses as incurred all payroll costs of on-site employees working directly at our properties, except as noted above on our development properties prior to certificate of occupancy issuance and on specific major renovations at selected properties when additional incremental employees are hired.

During the years ended December 31, 2016, 2015 and 2014, the Company capitalized \$18.7 million, \$22.3 million and \$22.4 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Fair Value of Financial Instruments, Including Derivative Instruments

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

Funds From Operations and Normalized Funds From Operations

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 each of the five years ended December 31, 2016:

Table of ContentsFunds From Operations and Normalized Funds From Operations
(Amounts in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net income	\$4,480,104	\$908,018	\$658,683	\$1,905,353	\$881,204
Net loss attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)	538	(844)
Preferred/preference distributions	(3,091)	(3,357)	(4,145)	(4,145)	(10,355)
Premium on redemption of Preferred Shares/Preference Units	—	(3,486)	—	—	(5,152)
Net income available to Common Shares and Units	4,460,583	897,518	651,994	1,901,746	864,853
Adjustments:					
– Depreciation	705,649	765,895	758,861	978,973	560,669
– Non-real estate additions	(5,224)	(4,981)	(4,643)	(4,806)	(5,346)
– Partially Owned Properties Depreciation	(3,805)	(4,332)	(4,285)	(6,499)	(3,193)
– Unconsolidated Depreciation	4,920	6,754	3,661	—	—

Properties					
Net					
(gain)					
on					
sales					
of	(8,841)	(100)	(4,902)	(7)	—
unconsolidated					
entities					
– operating					
assets					
Net					
(gain)					
on					
sales	(4,044,055)	(335,134)	(212,685)	—	—
of					
real					
estate					
properties					
Noncontrolling					
Interests					
share					
of	4,521	—	—	—	—
gain					
on					
sales					
Discontinued					
operations:					
– Depreciation—		—	34,380	124,323	
Net					
(gain)					
on					
sales	(443)	—	(179)	(2,036,505)	(548,278)
of					
discontinued					
operations					
Net					
incremental					
gain					
(loss)					
on—	—	—	8	(11)	
sales					
of					
condominium					
units					
Gain	—	—	1,470	200	
on					
sale					
of					
Equity					
Corporate					
Housing					

(ECH)					
FFO					
available					
to					
Common					
Shares					
and	123,530	1,323,786	1,190,915	872,421	993,217
Units					
/					
Units					
(1) (3)					
(4)					
Adjustments:					
Asset					
impairment					
and	—	—	—	—	—
valuation					
allowances					
Property					
acquisition					
costs					
and	6,478	(11,706	) 8,248	79,365	21,649
write-off					
of					
pursuit					
costs					
Debt					
extinguishment					
(gains)					
losses,					
including					
prepayment					
penalties,					
preferred					
share/					
preference					
unit					
redemptions					
and	121,694	5,704	(1,110	) 121,730	16,293
non-cash					
convertible					
debt					
discounts					
(Gains)					
losses					
on					
sales					
of					
non-operating					
assets,					
net					

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of
income
and
other
tax
expense

(7,121) (2,883) (1,866) (17,908) (255)

Other
miscellaneous
non-comparable
items

2,169 2,901 259 1,465 (147,635)

Normalized
FFO
available

to
Common
Shares
and
Units
/

\$1,179,650 \$1,317,802 \$1,196,446 \$1,057,073 \$883,269

Units
/

Units
(2) (3)
(4)

FFO
\$1,126,621 \$1,330,629 \$1,195,060 \$876,566 \$1,008,724

(1) (3)
Preferred/preference
distributions (3,091) (3,357) (4,145) (4,145) (10,355)

Premium
on
redemption
of— (3,486) — — (5,152)

Preferred
Shares/Preference

Units
FFO
available
to
Common
Shares
and
Units
/

\$1,123,530 \$1,323,786 \$1,190,915 \$872,421 \$993,217

Units
/

Units
(1) (3)
(4)

Normalized

FFO \$1,182,741 \$1,321,159 \$1,200,591 \$1,061,218 \$893,624

(2) (3)
(3,091) (3,357) (4,145) (4,145) (10,355)

Preferred/preference
distributions

Normalized

FFO

available

to

Common

Shares	\$1,179,650	\$1,317,802	\$1,196,446	\$1,057,073	\$883,269
--------	-------------	-------------	-------------	-------------	-----------

and

Units

/

Units

(2) (3)

(4)

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 (1) 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;

property acquisition and other transaction costs related to mergers and acquisitions and pursuit cost write-offs;

gains and losses from early debt extinguishment, including prepayment penalties, preferred share/preference unit redemptions and the cost related to the implied option value of non-cash convertible debt discounts;

gains and losses on the sales of non-operating assets, including gains and losses from land parcel sales, net of the effect of income tax benefits or expenses; and

other miscellaneous items.

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

(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 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to the Company's financial instruments result primarily from changes in short-term LIBOR interest rates and changes in the Securities Industry and Financial Markets Association ("SIFMA") index for tax-exempt debt. The Company's exposure to market risk for changes in interest rates relates to the unsecured revolving credit facility and commercial paper program, the floating rate tax-exempt debt and the fair value hedges that convert fixed rate debt to floating rate debt as well as exposure on the refinancing of its debt. The Company typically incurs fixed rate debt obligations to finance acquisitions while it typically incurs floating rate debt obligations to finance working capital needs and as a temporary measure in advance of securing long-term fixed rate financing. The Company continuously evaluates its level of floating rate debt with respect to total debt and other factors, including its assessment of the current and future economic environment. To the extent the Company carries substantial cash balances, this will tend to partially counterbalance any increase or decrease in interest rates.

The Company also utilizes certain derivative financial instruments to manage market risk. Interest rate protection agreements are used to convert floating rate debt to a fixed rate basis or vice versa as well as to partially lock in rates on future debt issuances. Derivatives are used for hedging purposes rather than speculation. The Company does not enter into financial instruments for trading purposes. See also Note 9 in the Notes to Consolidated Financial

Statements for additional discussion of derivative instruments.

The fair values of the Company's financial instruments (including such items in the financial statement captions as cash and cash equivalents, other assets, accounts payable and accrued expenses and other liabilities) approximate their carrying or contract values based on their nature, terms and interest rates that approximate current market rates. The fair value of the Company's mortgage notes payable and unsecured debt (including its commercial paper) were approximately \$4.2 billion and \$5.0 billion, respectively, at December 31, 2016.

At December 31, 2016, the Company had total outstanding floating rate debt of approximately \$1.1 billion, or 12.3% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 11 basis points (a 10% increase from the Company's existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$1.3 million. If market rates of interest on all of the floating rate debt permanently decreased by 11 basis points (a 10% decrease from the Company's existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$1.3 million.

At December 31, 2016, the Company had total outstanding fixed rate debt of approximately \$7.9 billion, or 87.7% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 49 basis points (a 10% increase from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$7.2 billion. If market rates of interest permanently decreased by 49 basis points (a 10% decrease

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from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$8.8 billion.

At December 31, 2016, the Company's derivative instruments had a net asset fair value of approximately \$1.9 million. If market rates of interest permanently increased by 24 basis points (a 10% increase from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$0.4 million. If market rates of interest permanently decreased by 24 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$3.4 million.

At December 31, 2015, the Company had total outstanding floating rate debt of approximately \$1.5 billion, or 14.1% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 8 basis points (a 10% increase from the Company's existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$1.2 million. If market rates of interest on all of the floating rate debt permanently decreased by 8 basis points (a 10% decrease from the Company's existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$1.2 million.

At December 31, 2015, the Company had total outstanding fixed rate debt of approximately \$9.4 billion, or 85.9% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 51 basis points (a 10% increase from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$8.6 billion. If market rates of interest permanently decreased by 51 basis points (a 10% decrease from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$10.5 billion.

At December 31, 2015, the Company's derivative instruments had a net asset fair value of approximately \$3.0 million. If market rates of interest permanently increased by 17 basis points (a 10% increase from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$1.8 million. If market rates of interest permanently decreased by 17 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$4.2 million.

These amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. The foregoing assumptions apply to the entire amount of the Company's debt and derivative instruments and do not differentiate among maturities. These analyses do not consider the effects of the changes in overall economic activity that could exist in such an environment. Further, in the event of changes of such magnitude, management would likely take actions to further mitigate its exposure to the changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in the Company's financial structure or results.

The Company cannot predict the effect of adverse changes in interest rates on its debt and derivative instruments and, therefore, its exposure to market risk, nor can there be any assurance that long-term debt will be available at advantageous pricing. Consequently, future results may differ materially from the estimated adverse changes discussed above.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Equity Residential

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of December 31, 2016, 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

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reported within the time periods specified in the SEC's rules and forms.

(b) Management's Report on Internal Control over Financial Reporting:

Equity Residential's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

Based on the Company's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2016. Our internal control over financial reporting has been audited as of December 31, 2016 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) 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 above that occurred during the fourth quarter of 2016 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 December 31, 2016, 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) Management's Report on Internal Control over Financial Reporting:

ERP Operating Limited Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of EQR, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

Based on the Operating Partnership's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2016. Our internal control over financial reporting has been audited as of December 31, 2016 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Operating Partnership identified in connection with the Operating Partnership's evaluation referred to above that occurred during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Items 10, 11, 12, 13 and 14.

Trustees, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters; Certain Relationships and Related Transactions, and Trustee Independence; and Principal Accounting Fees and Services.

The information required by Item 10, Item 11, Item 12, Item 13 and Item 14 is incorporated by reference to, and will be contained in, Equity Residential's Proxy Statement, which the Company intends to file no later than 120 days after the end of its fiscal year ended December 31, 2016, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.2% owner of ERP Operating Limited Partnership.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

(1) Financial Statements: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

(2) Exhibits: See the Exhibit Index.

(3) Financial Statement Schedules: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ David J. Neithercut
David J. Neithercut
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2017

ERP OPERATING LIMITED
PARTNERSHIP
BY: EQUITY RESIDENTIAL
ITS GENERAL PARTNER

By: /s/ David J. Neithercut
David J. Neithercut
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2017

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ERP OPERATING LIMITED PARTNERSHIP

POWER OF ATTORNEY

KNOW ALL MEN/WOMEN BY THESE PRESENTS, that each person whose signature appears below, hereby constitutes and appoints David J. Neithercut, Mark J. Parrell and Ian S. Kaufman, or any of them, his or her attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her in any and all capacities, to do all acts and things which said attorneys and agents, or any of them, deem advisable to enable the company to comply with the Securities Exchange Act of 1934, as amended, and any requirements or regulations of the Securities and Exchange Commission in respect thereof, in connection with the company's filing of an annual report on Form 10-K for the company's fiscal year 2016, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his or her name as a trustee or officer, or both, of the company, as indicated below opposite his or her signature, to the Form 10-K, and any amendment thereto; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of each registrant and in the capacities set forth below and on the dates indicated:

Name	Title	Date
/s/ David J. Neithercut David J. Neithercut	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 23, 2017
/s/ Mark J. Parrell Mark J. Parrell	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2017
/s/ Ian S. Kaufman Ian S. Kaufman	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2017
/s/ John W. Alexander John W. Alexander	Trustee	February 23, 2017
/s/ Charles L. Atwood Charles L. Atwood	Trustee	February 23, 2017
/s/ Linda Walker Bynoe Linda Walker Bynoe	Trustee	February 23, 2017
/s/ Connie K. Duckworth Connie K. Duckworth	Trustee	February 23, 2017
/s/ Mary Kay Haben Mary Kay Haben	Trustee	February 23, 2017
/s/ Bradley A. Keywell Bradley A. Keywell	Trustee	February 23, 2017

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/s/ John E. Neal John E. Neal	Trustee	February 23, 2017
/s/ Mark S. Shapiro Mark S. Shapiro	Trustee	February 23, 2017
/s/ Stephen E. Sterrett Stephen E. Sterrett	Trustee	February 23, 2017
/s/ B. Joseph White B. Joseph White	Trustee	February 23, 2017
/s/ Gerald A. Spector Gerald A. Spector	Vice Chairman of the Board of Trustees	February 23, 2017
/s/ Samuel Zell Samuel Zell	Chairman of the Board of Trustees	February 23, 2017

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP

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Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (Equity Residential)	<u>F-4</u>
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (ERP Operating Limited Partnership)	<u>F-5</u>
Financial Statements of Equity Residential:	
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Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	<u>F-7 to F-8</u>
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	<u>F-9 to F-12</u>
Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014	<u>F-13 to F-14</u>
Financial Statements of ERP Operating Limited Partnership:	
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Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	<u>F-16 to F-17</u>
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	<u>F-18 to F-21</u>
Consolidated Statements of Changes in Capital for the years ended December 31, 2016, 2015 and 2014	<u>F-22 to F-23</u>
Notes to Consolidated Financial Statements of Equity Residential and ERP Operating Limited Partnership	<u>F-24 to F-63</u>

SCHEDULE FILED AS PART OF THIS REPORT

Schedule III – Real Estate and Accumulated Depreciation of Equity Residential and ERP Operating Limited Partnership S-1 to S-11

All other schedules have been omitted because they are inapplicable, not required or the information is included elsewhere in the consolidated financial statements or notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders
Equity Residential

We have audited the accompanying consolidated balance sheets of Equity Residential (the “Company”) as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equity Residential at December 31, 2016 and 2015 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Equity Residential’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 23, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
ERP Operating Limited Partnership

We have audited the accompanying consolidated balance sheets of ERP Operating Limited Partnership (the “Operating Partnership”) as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ERP Operating Limited Partnership at December 31, 2016 and 2015 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ERP Operating Limited Partnership's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 23, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Trustees and Shareholders
Equity Residential

We have audited Equity Residential's (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO Criteria). Equity Residential's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Equity Residential maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO Criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Equity Residential as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

Chicago, Illinois
February 23, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Partners
ERP Operating Limited Partnership

We have audited ERP Operating Limited Partnership's (the "Operating Partnership") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO Criteria). ERP Operating Limited Partnership's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Operating Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ERP Operating Limited Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO Criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ERP Operating Limited Partnership as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 23, 2017

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CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share amounts)

	December 31, 2016	December 31, 2015
ASSETS		
Investment in real estate		
Land	\$5,899,862	\$5,864,046
Depreciable property	18,730,579	18,037,087
Projects under development	637,168	1,122,376
Land held for development	118,816	158,843
Investment in real estate	25,386,425	25,182,352
Accumulated depreciation	(5,360,389)	(4,905,406)
Investment in real estate, net	20,026,036	20,276,946
Real estate held for sale	—	2,181,135
Cash and cash equivalents	77,207	42,276
Investments in unconsolidated entities	60,141	68,101
Deposits – restricted	76,946	55,893
Escrow deposits – mortgage	64,935	56,946
Other assets	398,883	428,899
Total assets	\$20,704,148	\$23,110,196
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$4,119,181	\$4,685,134
Notes, net	4,848,079	5,848,956
Line of credit and commercial paper	19,998	387,276
Accounts payable and accrued expenses	147,482	187,124
Accrued interest payable	60,946	85,221
Other liabilities	350,466	366,387
Security deposits	62,624	77,582
Distributions payable	192,296	209,378
Total liabilities	9,801,072	11,847,058
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	442,092	566,783
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares authorized; 745,600 shares issued and outstanding as of December 31, 2016 and December 31, 2015	37,280	37,280
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 365,870,924 shares issued and outstanding as of December 31, 2016 and 364,755,444 shares issued and outstanding as of December 31, 2015	3,659	3,648
Paid in capital	8,758,422	8,572,365
Retained earnings	1,543,626	2,009,091

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Accumulated other comprehensive (loss)	(113,909) (152,016)
Total shareholders' equity	10,229,078	10,470,368	
Noncontrolling Interests:			
Operating Partnership	221,297	221,379	
Partially Owned Properties	10,609	4,608	
Total Noncontrolling Interests	231,906	225,987	
Total equity	10,460,984	10,696,355	
Total liabilities and equity	\$20,704,148	\$23,110,196	

See accompanying notes

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2016	2015	2014
REVENUES			
Rental income	\$2,422,233	\$2,736,578	\$2,605,311
Fee and asset management	3,567	8,387	9,437
Total revenues	2,425,800	2,744,965	2,614,748
EXPENSES			
Property and maintenance	406,823	479,160	473,098
Real estate taxes and insurance	317,387	339,802	325,401
Property management	82,015	86,206	85,065
General and administrative	57,840	64,664	50,679
Depreciation	705,649	765,895	758,861
Total expenses	1,569,714	1,735,727	1,693,104
Operating income	856,086	1,009,238	921,644
Interest and other income	65,773	7,372	4,462
Other expenses	(10,368)	(2,942)	(9,073)
Interest:			
Expense incurred, net	(482,246)	(444,487)	(457,460)
Amortization of deferred financing costs	(12,633)	(10,801)	(11,088)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	416,612	558,380	448,485
Income and other tax (expense) benefit	(1,613)	(917)	(1,394)
Income (loss) from investments in unconsolidated entities	4,801	15,025	(7,952)
Net gain on sales of real estate properties	4,044,055	335,134	212,685
Net gain (loss) on sales of land parcels	15,731	(1)	5,277
Income from continuing operations	4,479,586	907,621	657,101
Discontinued operations, net	518	397	1,582
Net income	4,480,104	908,018	658,683
Net (income) attributable to Noncontrolling Interests:			
Operating Partnership	(171,511)	(34,241)	(24,831)
Partially Owned Properties	(16,430)	(3,657)	(2,544)
Net income attributable to controlling interests	4,292,163	870,120	631,308
Preferred distributions	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares	—	(3,486)	—
Net income available to Common Shares	\$4,289,072	\$863,277	\$627,163
Earnings per share – basic:			
Income from continuing operations available to Common Shares	\$11.75	\$2.37	\$1.73
Net income available to Common Shares	\$11.75	\$2.37	\$1.74
Weighted average Common Shares outstanding	365,002	363,498	361,181

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Earnings per share – diluted:

Income from continuing operations available to Common Shares	\$11.68	\$2.36	\$1.72
Net income available to Common Shares	\$11.68	\$2.36	\$1.73
Weighted average Common Shares outstanding	381,992	380,620	377,735
Distributions declared per Common Share outstanding	\$13.015	\$2.21	\$2.00

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2016	2015	2014
Comprehensive income:			
Net income	\$4,480,104	\$908,018	\$658,683
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding (losses) gains arising during the year	(3,915)	2,219	(33,306)
Losses reclassified into earnings from other comprehensive income	41,758	18,244	16,868
Other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	264	(327)	(552)
Other comprehensive income (loss)	38,107	20,136	(16,990)
Comprehensive income	4,518,211	928,154	641,693
Comprehensive (income) attributable to Noncontrolling Interests	(189,411)	(38,668)	(26,728)
Comprehensive income attributable to controlling interests	\$4,328,800	\$889,486	\$614,965

See accompanying notes

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

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$4,480,104	\$908,018	\$658,683
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	705,649	765,895	758,861
Amortization of deferred financing costs	12,633	10,801	11,088
Amortization of above/below market leases	3,426	3,382	3,222
Amortization of discounts and premiums on debt	(17,378)	(9,492)	(13,520)
Amortization of deferred settlements on derivative instruments	41,680	18,075	16,334
Write-off of pursuit costs	4,092	3,208	3,607
(Income) loss from investments in unconsolidated entities	(4,801)	(15,025)	7,952
Distributions from unconsolidated entities – return on capital	2,863	4,741	5,570
Net (gain) on sales of investment securities and other investments	(58,409)	(526)	(57)
Net (gain) on sales of real estate properties	(4,044,055)	(335,134)	(212,685)
Net (gain) loss on sales of land parcels	(15,731)	1	(5,277)
Net (gain) on sales of discontinued operations	(43)	—	(179)
Realized/unrealized loss (gain) on derivative instruments	74	3,055	(60)
Compensation paid with Company Common Shares	30,530	34,607	27,543
Changes in assets and liabilities:			
Decrease (increase) in deposits – restricted	11,450	(1,794)	(1,740)
(Increase) decrease in mortgage deposits	(26)	258	1,452
Decrease (increase) in other assets	31,147	(41,803)	21,773
(Decrease) increase in accounts payable and accrued expenses	(6,061)	(1,667)	17,797
(Decrease) increase in accrued interest payable	(24,275)	(4,319)	11,231
(Decrease) increase in other liabilities	(26,422)	12,269	8,437
(Decrease) increase in security deposits	(14,958)	1,949	4,041
Net cash provided by operating activities	1,111,489	1,356,499	1,324,073
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(205,880)	(331,336)	(469,989)
Investment in real estate – development/other	(566,825)	(653,897)	(530,387)
Capital expenditures to real estate	(172,177)	(182,113)	(185,957)
Non-real estate capital additions	(5,731)	(3,991)	(5,286)
Interest capitalized for real estate and unconsolidated entities under development	(51,451)	(59,885)	(52,782)
Proceeds from disposition of real estate, net	6,824,659	504,748	522,647
Investments in unconsolidated entities	(5,266)	(23,019)	(15,768)
Distributions from unconsolidated entities – return of capital	13,798	51,144	103,793
Proceeds from sale of investment securities and other investments	72,815	2,535	57
(Increase) decrease in deposits on real estate acquisitions and investments, net	(32,503)	17,874	33,004
Decrease (increase) in mortgage deposits	534	(531)	798
Consolidation of previously unconsolidated properties	—	—	(44,796)
Net cash provided by (used for) investing activities	5,871,973	(678,471)	(644,666)

See accompanying notes
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EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$(13,305)	\$(6,425)	\$(10,982)
Mortgage deposits	(8,497)	(8,588)	(7,699)
Mortgage notes payable, net:			
Lump sum payoffs	(583,122)	(359,244)	(88,788)
Scheduled principal repayments	(8,544)	(9,275)	(11,869)
Notes, net:			
Proceeds	496,705	746,391	1,194,277
Lump sum payoffs	(1,500,000)	(300,000)	(1,250,000)
Line of credit and commercial paper:			
Line of credit proceeds	426,000	3,770,000	7,167,000
Line of credit repayments	(426,000)	(4,103,000)	(6,949,000)
Commercial paper proceeds	1,759,586	3,931,227	—
Commercial paper repayments	(2,127,472)	(3,545,028)	—
(Payments on) settlement of derivative instruments	(4,662)	(13,938)	(758)
Proceeds from Employee Share Purchase Plan (ESPP)	3,686	4,404	3,392
Proceeds from exercise of options	35,833	59,508	82,573
Common Shares repurchased and retired	—	—	(1,777)
Redemption of Preferred Shares	—	(12,720)	—
Premium on redemption of Preferred Shares	—	(3,486)	—
Payment of offering costs	(314)	(79)	(41)
Other financing activities, net	(49)	(49)	(49)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(5,501)
Contributions – Noncontrolling Interests – Partially Owned Properties	—	—	5,684
Contributions – Noncontrolling Interests – Operating Partnership	1	3	3
Distributions:			
Common Shares	(4,771,725)	(784,748)	(776,659)
Preferred Shares	(2,318)	(3,357)	(4,145)
Noncontrolling Interests – Operating Partnership	(188,115)	(30,869)	(30,744)
Noncontrolling Interests – Partially Owned Properties	(36,219)	(6,559)	(7,778)
Net cash (used for) financing activities	(6,948,531)	(675,832)	(692,861)
Net increase (decrease) in cash and cash equivalents	34,931	2,196	(13,454)
Cash and cash equivalents, beginning of year	42,276	40,080	53,534
Cash and cash equivalents, end of year	\$77,207	\$42,276	\$40,080

See accompanying notes
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EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands)

	Year Ended December 31,		
	2016	2015	2014
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$482,152	\$436,748	\$443,125
Net cash paid for income and other taxes	\$1,494	\$1,264	\$1,517
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$43,400	\$—	\$28,910
Amortization of deferred financing costs:			
Other assets	\$3,366	\$3,054	\$3,054
Mortgage notes payable, net	\$3,978	\$3,589	\$3,075
Notes, net	\$5,289	\$4,158	\$4,959
Amortization of discounts and premiums on debt:			
Mortgage notes payable	\$(21,158)	\$(13,126)	\$(15,904)
Notes, net	\$3,172	\$2,557	\$2,384
Line of credit and commercial paper	\$608	\$1,077	\$—
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(78)	\$(169)	\$(534)
Accumulated other comprehensive income	\$41,758	\$18,244	\$16,868
Write-off of pursuit costs:			
Investment in real estate, net	\$3,586	\$2,804	\$2,541
Deposits – restricted	\$—	\$330	\$—
Other assets	\$402	\$74	\$1,066
Accounts payable and accrued expenses	\$104	\$—	\$—
(Income) loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(6,327)	\$(17,340)	\$4,610
Other liabilities	\$1,526	\$2,315	\$3,342
Distributions from unconsolidated entities – return on capital:			
Investments in unconsolidated entities	\$2,863	\$4,606	\$5,360
Other liabilities	\$—	\$135	\$210
Realized/unrealized loss (gain) on derivative instruments:			
Other assets	\$1,798	\$(3,573)	\$10,160
Notes, net	\$(1,798)	\$2,058	\$1,597
Other liabilities	\$3,989	\$2,351	\$21,489
Accumulated other comprehensive income	\$(3,915)	\$2,219	\$(33,306)
Interest capitalized for real estate and unconsolidated entities under development:			
Investment in real estate, net	\$(51,451)	\$(59,885)	\$(52,717)
Investments in unconsolidated entities	\$—	\$—	\$(65)
Investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(2,326)	\$(1,404)	\$(6,318)
Other liabilities	\$(2,940)	\$(21,615)	\$(9,450)

See accompanying notes

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

	Year Ended December 31,		
	2016	2015	2014
SUPPLEMENTAL INFORMATION (continued):			
Distributions from unconsolidated entities - return of capital:			
Investments in unconsolidated entities	\$14,014	\$51,144	\$103,793
Other assets	\$(216)	\$—	\$—
Consolidation of previously unconsolidated properties:			
Investment in real estate, net	\$—	\$—	\$(64,319)
Investments in unconsolidated entities	\$—	\$—	\$(847)
Accounts payable and accrued expenses	\$—	\$—	\$1,987
Other liabilities	\$—	\$—	\$18,383
Debt financing costs:			
Other assets	\$(8,553)	\$—	\$—
Mortgage notes payable, net	\$(507)	\$(35)	\$(448)
Notes, net	\$(4,245)	\$(6,390)	\$(10,534)
(Payments on) settlement of derivative instruments:			
Other assets	\$—	\$1,848	\$6,623
Other liabilities	\$(4,662)	\$(15,786)	\$(7,381)
Other:			
Foreign currency translation adjustments	\$(264)	\$327	\$552

See accompanying notes

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EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

SHAREHOLDERS' EQUITY	Year Ended December 31,		
	2016	2015	2014
PREFERRED SHARES			
Balance, beginning of year	\$37,280	\$50,000	\$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	—	(12,720)	—
Balance, end of year	\$37,280	\$37,280	\$50,000
COMMON SHARES, \$0.01 PAR VALUE			
Balance, beginning of year	\$3,648	\$3,629	\$3,605
Conversion of OP Units into Common Shares	1	2	1
Exercise of share options	8	14	21
Employee Share Purchase Plan (ESPP)	1	1	—
Share-based employee compensation expense:			
Restricted shares	1	2	2
Balance, end of year	\$3,659	\$3,648	\$3,629
PAID IN CAPITAL			
Balance, beginning of year	\$8,572,365	\$8,536,340	\$8,561,500
Common Share Issuance:			
Conversion of OP Units into Common Shares	3,725	4,964	2,364
Exercise of share options	35,825	59,494	82,552
Employee Share Purchase Plan (ESPP)	3,685	4,403	3,392
Conversion of restricted shares to restricted units	—	(70)	—
Share-based employee compensation expense:			
Restricted shares	15,015	15,064	9,902
Share options	3,432	3,756	7,349
ESPP discount	650	884	859
Common Shares repurchased and retired	—	—	(1,777)
Offering costs	(314)	(79)	(41)
Supplemental Executive Retirement Plan (SERP)	748	1,380	7,374
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(2,308)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	115,093	(64,378)	(139,818)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	8,198	10,607	4,992
Balance, end of year	\$8,758,422	\$8,572,365	\$8,536,340
RETAINED EARNINGS			
Balance, beginning of year	\$2,009,091	\$1,950,639	\$2,047,258
Net income attributable to controlling interests	4,292,163	870,120	631,308
Common Share distributions	(4,754,537)	(804,825)	(723,782)
Preferred Share distributions	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares – cash charge	—	(3,486)	—
Balance, end of year	\$1,543,626	\$2,009,091	\$1,950,639

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

(Amounts in thousands)

SHAREHOLDERS' EQUITY (continued)	Year Ended December 31,		
	2016	2015	2014
ACCUMULATED OTHER COMPREHENSIVE (LOSS)			
Balance, beginning of year	\$(152,016)	\$(172,152)	\$(155,162)
Accumulated other comprehensive income (loss) – derivative instruments:			
Unrealized holding (losses) gains arising during the year	(3,915)	2,219	(33,306)
Losses reclassified into earnings from other comprehensive income	41,758	18,244	16,868
Accumulated other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	264	(327)	(552)
Balance, end of year	\$(113,909)	\$(152,016)	\$(172,152)
NONCONTROLLING INTERESTS			
OPERATING PARTNERSHIP			
Balance, beginning of year	\$221,379	\$214,411	\$211,412
Issuance of restricted units to Noncontrolling Interests	1	3	3
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(3,726)	(4,966)	(2,365)
Conversion of restricted shares to restricted units	—	70	—
Equity compensation associated with Noncontrolling Interests	18,180	21,503	11,969
Net income attributable to Noncontrolling Interests	171,511	34,241	24,831
Distributions to Noncontrolling Interests	(187,448)	(31,604)	(28,676)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	9,598	(1,672)	2,229
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(8,198)	(10,607)	(4,992)
Balance, end of year	\$221,297	\$221,379	\$214,411
PARTIALLY OWNED PROPERTIES			
Balance, beginning of year	\$4,608	\$124,909	\$126,583
Net income attributable to Noncontrolling Interests	16,430	3,657	2,544
Contributions by Noncontrolling Interests	—	—	5,684
Distributions to Noncontrolling Interests	(36,268)	(6,608)	(7,827)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(2,244)
Deconsolidation of previously consolidated Noncontrolling Interests	—	(117,350)	—
Other	25,839	—	169
Balance, end of year	\$10,609	\$4,608	\$124,909

See accompanying notes

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

	December 31, 2016	December 31, 2015
ASSETS		
Investment in real estate		
Land	\$5,899,862	\$5,864,046
Depreciable property	18,730,579	18,037,087
Projects under development	637,168	1,122,376
Land held for development	118,816	158,843
Investment in real estate	25,386,425	25,182,352
Accumulated depreciation	(5,360,389)	(4,905,406)
Investment in real estate, net	20,026,036	20,276,946
Real estate held for sale	—	2,181,135
Cash and cash equivalents	77,207	42,276
Investments in unconsolidated entities	60,141	68,101
Deposits – restricted	76,946	55,893
Escrow deposits – mortgage	64,935	56,946
Other assets	398,883	428,899
Total assets	\$20,704,148	\$23,110,196
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net	\$4,119,181	\$4,685,134
Notes, net	4,848,079	5,848,956
Line of credit and commercial paper	19,998	387,276
Accounts payable and accrued expenses	147,482	187,124
Accrued interest payable	60,946	85,221
Other liabilities	350,466	366,387
Security deposits	62,624	77,582
Distributions payable	192,296	209,378
Total liabilities	9,801,072	11,847,058
Commitments and contingencies		
Redeemable Limited Partners	442,092	566,783
Capital:		
Partners' Capital:		
Preference Units	37,280	37,280
General Partner	10,305,707	10,585,104
Limited Partners	221,297	221,379
Accumulated other comprehensive (loss)	(113,909)	(152,016)
Total partners' capital	10,450,375	10,691,747
Noncontrolling Interests – Partially Owned Properties	10,609	4,608
Total capital	10,460,984	10,696,355
Total liabilities and capital	\$20,704,148	\$23,110,196

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)

	Year Ended December 31,		
	2016	2015	2014
REVENUES			
Rental income	\$2,422,233	\$2,736,578	\$2,605,311
Fee and asset management	3,567	8,387	9,437
Total revenues	2,425,800	2,744,965	2,614,748
EXPENSES			
Property and maintenance	406,823	479,160	473,098
Real estate taxes and insurance	317,387	339,802	325,401
Property management	82,015	86,206	85,065
General and administrative	57,840	64,664	50,679
Depreciation	705,649	765,895	758,861
Total expenses	1,569,714	1,735,727	1,693,104
Operating income	856,086	1,009,238	921,644
Interest and other income	65,773	7,372	4,462
Other expenses	(10,368)	(2,942)	(9,073)
Interest:			
Expense incurred, net	(482,246)	(444,487)	(457,460)
Amortization of deferred financing costs	(12,633)	(10,801)	(11,088)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	416,612	558,380	448,485
Income and other tax (expense) benefit	(1,613)	(917)	(1,394)
Income (loss) from investments in unconsolidated entities	4,801	15,025	(7,952)
Net gain on sales of real estate properties	4,044,055	335,134	212,685
Net gain (loss) on sales of land parcels	15,731	(1)	5,277
Income from continuing operations	4,479,586	907,621	657,101
Discontinued operations, net	518	397	1,582
Net income	4,480,104	908,018	658,683
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)
Net income attributable to controlling interests	\$4,463,674	\$904,361	\$656,139
ALLOCATION OF NET INCOME:			
Preference Units	\$3,091	\$3,357	\$4,145
Premium on redemption of Preference Units	\$—	\$3,486	\$—
General Partner	\$4,289,072	\$863,277	\$627,163
Limited Partners	171,511	34,241	24,831
Net income available to Units	\$4,460,583	\$897,518	\$651,994
Earnings per Unit – basic:			
Income from continuing operations available to Units	\$11.75	\$2.37	\$1.73
Net income available to Units	\$11.75	\$2.37	\$1.74

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Weighted average Units outstanding	378,829	377,074	374,899
Earnings per Unit – diluted:			
Income from continuing operations available to Units	\$ 11.68	\$ 2.36	\$ 1.72
Net income available to Units	\$ 11.68	\$ 2.36	\$ 1.73
Weighted average Units outstanding	381,992	380,620	377,735
Distributions declared per Unit outstanding	\$ 13.015	\$ 2.21	\$ 2.00

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)

	Year Ended December 31,		
	2016	2015	2014
Comprehensive income:			
Net income	\$4,480,104	\$908,018	\$658,683
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding (losses) gains arising during the year	(3,915)	2,219	(33,306)
Losses reclassified into earnings from other comprehensive income	41,758	18,244	16,868
Other comprehensive income (loss) – foreign currency:			
Currency translation adjustments arising during the year	264	(327)	(552)
Other comprehensive income (loss)	38,107	20,136	(16,990)
Comprehensive income	4,518,211	928,154	641,693
Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)
Comprehensive income attributable to controlling interests	\$4,501,781	\$924,497	\$639,149

See accompanying notes

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Table of ContentsERP OPERATING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$4,480,104	\$908,018	\$658,683
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	705,649	765,895	758,861
Amortization of deferred financing costs	12,633	10,801	11,088
Amortization of above/below market leases	3,426	3,382	3,222
Amortization of discounts and premiums on debt	(17,378)	(9,492)	(13,520)
Amortization of deferred settlements on derivative instruments	41,680	18,075	16,334
Write-off of pursuit costs	4,092	3,208	3,607
(Income) loss from investments in unconsolidated entities	(4,801)	(15,025)	7,952
Distributions from unconsolidated entities – return on capital	2,863	4,741	5,570
Net (gain) on sales of investment securities and other investments	(58,409)	(526)	(57)
Net (gain) on sales of real estate properties	(4,044,055)	(335,134)	(212,685)
Net (gain) loss on sales of land parcels	(15,731)	1	(5,277)
Net (gain) on sales of discontinued operations	(43)	—	(179)
Realized/unrealized loss (gain) on derivative instruments	74	3,055	(60)
Compensation paid with Company Common Shares	30,530	34,607	27,543
Changes in assets and liabilities:			
Decrease (increase) in deposits – restricted	11,450	(1,794)	(1,740)
(Increase) decrease in mortgage deposits	(26)	258	1,452
Decrease (increase) in other assets	31,147	(41,803)	21,773
(Decrease) increase in accounts payable and accrued expenses	(6,061)	(1,667)	17,797
(Decrease) increase in accrued interest payable	(24,275)	(4,319)	11,231
(Decrease) increase in other liabilities	(26,422)	12,269	8,437
(Decrease) increase in security deposits	(14,958)	1,949	4,041
Net cash provided by operating activities	1,111,489	1,356,499	1,324,073
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate – acquisitions	(205,880)	(331,336)	(469,989)
Investment in real estate – development/other	(566,825)	(653,897)	(530,387)
Capital expenditures to real estate	(172,177)	(182,113)	(185,957)
Non-real estate capital additions	(5,731)	(3,991)	(5,286)
Interest capitalized for real estate and unconsolidated entities under development	(51,451)	(59,885)	(52,782)
Proceeds from disposition of real estate, net	6,824,659	504,748	522,647
Investments in unconsolidated entities	(5,266)	(23,019)	(15,768)
Distributions from unconsolidated entities – return of capital	13,798	51,144	103,793
Proceeds from sale of investment securities and other investments	72,815	2,535	57
(Increase) decrease in deposits on real estate acquisitions and investments, net	(32,503)	17,874	33,004
Decrease (increase) in mortgage deposits	534	(531)	798
Consolidation of previously unconsolidated properties	—	—	(44,796)
Net cash provided by (used for) investing activities	5,871,973	(678,471)	(644,666)

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

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt financing costs	\$(13,305)	\$(6,425)	\$(10,982)
Mortgage deposits	(8,497)	(8,588)	(7,699)
Mortgage notes payable, net:			
Lump sum payoffs	(583,122)	(359,244)	(88,788)
Scheduled principal repayments	(8,544)	(9,275)	(11,869)
Notes, net:			
Proceeds	496,705	746,391	1,194,277
Lump sum payoffs	(1,500,000)	(300,000)	(1,250,000)
Line of credit and commercial paper:			
Line of credit proceeds	426,000	3,770,000	7,167,000
Line of credit repayments	(426,000)	(4,103,000)	(6,949,000)
Commercial paper proceeds	1,759,586	3,931,227	—
Commercial paper repayments	(2,127,472)	(3,545,028)	—
(Payments on) settlement of derivative instruments	(4,662)	(13,938)	(758)
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	3,686	4,404	3,392
Proceeds from exercise of EQR options	35,833	59,508	82,573
OP units repurchased and retired	—	—	(1,777)
Redemption of Preference Units	—	(12,720)	—
Premium on redemption of Preference Units	—	(3,486)	—
Payment of offering costs	(314)	(79)	(41)
Other financing activities, net	(49)	(49)	(49)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(5,501)
Contributions – Noncontrolling Interests – Partially Owned Properties	—	—	5,684
Contributions – Limited Partners	1	3	3
Distributions:			
OP Units – General Partner	(4,771,725)	(784,748)	(776,659)
Preference Units	(2,318)	(3,357)	(4,145)
OP Units – Limited Partners	(188,115)	(30,869)	(30,744)
Noncontrolling Interests – Partially Owned Properties	(36,219)	(6,559)	(7,778)
Net cash (used for) financing activities	(6,948,531)	(675,832)	(692,861)
Net increase (decrease) in cash and cash equivalents	34,931	2,196	(13,454)
Cash and cash equivalents, beginning of year	42,276	40,080	53,534
Cash and cash equivalents, end of year	\$77,207	\$42,276	\$40,080

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

	Year Ended December 31,		
	2016	2015	2014
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$482,152	\$436,748	\$443,125
Net cash paid for income and other taxes	\$1,494	\$1,264	\$1,517
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$43,400	\$—	\$28,910
Amortization of deferred financing costs:			
Other assets	\$3,366	\$3,054	\$3,054
Mortgage notes payable, net	\$3,978	\$3,589	\$3,075
Notes, net	\$5,289	\$4,158	\$4,959
Amortization of discounts and premiums on debt:			
Mortgage notes payable	\$(21,158)	\$(13,126)	\$(15,904)
Notes, net	\$3,172	\$2,557	\$2,384
Line of credit and commercial paper	\$608	\$1,077	\$—
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(78)	\$(169)	\$(534)
Accumulated other comprehensive income	\$41,758	\$18,244	\$16,868
Write-off of pursuit costs:			
Investment in real estate, net	\$3,586	\$2,804	\$2,541
Deposits – restricted	\$—	\$330	\$—
Other assets	\$402	\$74	\$1,066
Accounts payable and accrued expenses	\$104	\$—	\$—
(Income) loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(6,327)	\$(17,340)	\$4,610
Other liabilities	\$1,526	\$2,315	\$3,342
Distributions from unconsolidated entities – return on capital:			
Investments in unconsolidated entities	\$2,863	\$4,606	\$5,360
Other liabilities	\$—	\$135	\$210
Realized/unrealized loss (gain) on derivative instruments:			
Other assets	\$1,798	\$(3,573)	\$10,160
Notes, net	\$(1,798)	\$2,058	\$1,597
Other liabilities	\$3,989	\$2,351	\$21,489
Accumulated other comprehensive income	\$(3,915)	\$2,219	\$(33,306)
Interest capitalized for real estate and unconsolidated entities under development:			
Investment in real estate, net	\$(51,451)	\$(59,885)	\$(52,717)
Investments in unconsolidated entities	\$—	\$—	\$(65)
Investments in unconsolidated entities:			
Investments in unconsolidated entities	\$(2,326)	\$(1,404)	\$(6,318)
Other liabilities	\$(2,940)	\$(21,615)	\$(9,450)

See accompanying notes

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

	Year Ended December 31,		
	2016	2015	2014
SUPPLEMENTAL INFORMATION (continued):			
Distributions from unconsolidated entities - return of capital:			
Investments in unconsolidated entities	\$14,014	\$51,144	\$103,793
Other assets	\$(216)	\$—	\$—
Consolidation of previously unconsolidated properties:			
Investment in real estate, net	\$—	\$—	\$(64,319)
Investments in unconsolidated entities	\$—	\$—	\$(847)
Accounts payable and accrued expenses	\$—	\$—	\$1,987
Other liabilities	\$—	\$—	\$18,383
Debt financing costs:			
Other assets	\$(8,553)	\$—	\$—
Mortgage notes payable, net	\$(507)	\$(35)	\$(448)
Notes, net	\$(4,245)	\$(6,390)	\$(10,534)
(Payments on) settlement of derivative instruments:			
Other assets	\$—	\$1,848	\$6,623
Other liabilities	\$(4,662)	\$(15,786)	\$(7,381)
Other:			
Foreign currency translation adjustments	\$(264)	\$327	\$552

See accompanying notes

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

	Year Ended December 31,		
	2016	2015	2014
PARTNERS' CAPITAL			
PREFERENCE UNITS			
Balance, beginning of year	\$37,280	\$50,000	\$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	—	(12,720)	—
Balance, end of year	\$37,280	\$37,280	\$50,000
GENERAL PARTNER			
Balance, beginning of year	\$10,585,104	\$10,490,608	\$10,612,363
OP Unit Issuance:			
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	3,726	4,966	2,365
Exercise of EQR share options	35,833	59,508	82,573
EQR's Employee Share Purchase Plan (ESPP)	3,686	4,404	3,392
Conversion of EQR restricted shares to restricted units	—	(70)	—
Share-based employee compensation expense:			
EQR restricted shares	15,016	15,066	9,904
EQR share options	3,432	3,756	7,349
EQR ESPP discount	650	884	859
OP Units repurchased and retired	—	—	(1,777)
Net income available to Units – General Partner	4,289,072	863,277	627,163
OP Units – General Partner distributions	(4,754,537)	(804,825)	(723,782)
Offering costs	(314)	(79)	(41)
Supplemental Executive Retirement Plan (SERP)	748	1,380	7,374
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(2,308)
Change in market value of Redeemable Limited Partners	115,093	(64,378)	(139,818)
Adjustment for Limited Partners ownership in Operating Partnership	8,198	10,607	4,992
Balance, end of year	\$10,305,707	\$10,585,104	\$10,490,608
LIMITED PARTNERS			
Balance, beginning of year	\$221,379	\$214,411	\$211,412
Issuance of restricted units to Limited Partners	1	3	3
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(3,726)	(4,966)	(2,365)
Conversion of EQR restricted shares to restricted units	—	70	—
Equity compensation associated with Units – Limited Partners	18,180	21,503	11,969
Net income available to Units – Limited Partners	171,511	34,241	24,831
Units – Limited Partners distributions	(187,448)	(31,604)	(28,676)
Change in carrying value of Redeemable Limited Partners	9,598	(1,672)	2,229
Adjustment for Limited Partners ownership in Operating Partnership	(8,198)	(10,607)	(4,992)
Balance, end of year	\$221,297	\$221,379	\$214,411
ACCUMULATED OTHER COMPREHENSIVE (LOSS)			
Balance, beginning of year	\$(152,016)	\$(172,152)	\$(155,162)

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Accumulated other comprehensive income (loss) – derivative instruments:

Unrealized holding (losses) gains arising during the year	(3,915) 2,219	(33,306)
Losses reclassified into earnings from other comprehensive income	41,758	18,244	16,868	
Accumulated other comprehensive income (loss) – foreign currency:				
Currency translation adjustments arising during the year	264	(327) (552)
Balance, end of year	\$(113,909) \$(152,016) \$(172,152)

See accompanying notes

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

	Year Ended December 31,		
	2016	2015	2014
NONCONTROLLING INTERESTS			
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES			
Balance, beginning of year	\$4,608	\$124,909	\$126,583
Net income attributable to Noncontrolling Interests	16,430	3,657	2,544
Contributions by Noncontrolling Interests	—	—	5,684
Distributions to Noncontrolling Interests	(36,268)	(6,608)	(7,827)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	—	(2,244)
Deconsolidation of previously consolidated Noncontrolling Interests	—	(117,350)	—
Other	25,839	—	169
Balance, end of year	\$10,609	\$4,608	\$124,909

See accompanying notes

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Table of ContentsEQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2016 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues public equity from time to time, 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 December 31, 2016, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 302 properties located in 10 states and the District of Columbia consisting of 77,458 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	280	72,445
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	17	3,215
Partially Owned Properties – Unconsolidated	2	945
	302	77,458

The “Wholly Owned Properties” are accounted for under the consolidation method of accounting. The “Master-Leased Properties – Consolidated” are wholly owned by the Company but the entire project is leased to a third party corporate housing provider. These properties are consolidated and reflected as real estate assets while the master leases are accounted for as operating leases. The “Partially Owned Properties – Consolidated” are controlled by the Company, but have partners with noncontrolling interests and are accounted for under the consolidation method of accounting and qualify as variable interest entities. The “Partially Owned Properties – Unconsolidated” are controlled by the Company's partners but the Company has noncontrolling interests and are accounted for under the equity method of accounting.

The Company maintains long-term ground leases for 13 operating properties. The Company owns the building and improvements and leases the land underlying the improvements under long-term ground leases. The expiration dates for these leases range from 2042 through 2110. These properties are consolidated and reflected as real estate assets

while the ground leases are accounted for as operating leases.

2. Summary of Significant Accounting Policies

Basis of Presentation

Due to the Company's ability as general partner to control either through ownership or by contract the Operating Partnership and its subsidiaries, the Operating Partnership and each such subsidiary has been consolidated with the Company for financial reporting purposes, except for two unconsolidated operating properties.

Real Estate Assets and Depreciation of Investment in Real Estate

An acquiring entity is required to recognize all assets acquired and liabilities assumed in a transaction at the acquisition-

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date fair value with limited exceptions. In addition, an acquiring entity is required to expense acquisition-related costs as incurred, value noncontrolling interests at fair value at the acquisition date and expense restructuring costs associated with an acquired business.

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets/liabilities acquired. The Company allocates the purchase price of acquired real estate to various components as follows:

• Land – Based on actual purchase price adjusted to fair value (as necessary) if acquired separately or market research/comparables if acquired with an operating property.

• Furniture, Fixtures and Equipment – Ranges between \$10,000 and \$25,000 per apartment unit acquired as an estimate of the fair value of the appliances and fixtures inside an apartment unit. The per-apartment unit amount applied depends on the economic age of the apartment building acquired. Depreciation is calculated on the straight-line method over an estimated useful life of five to ten years.

• Lease Intangibles – The Company considers the value of acquired in-place leases and above/below market leases and the amortization period is the average remaining term of each respective acquired lease. In-place residential leases' average term at acquisition approximates six months. In-place retail leases' term at acquisition approximates the average remaining term of all acquired retail leases. See Note 4 for more information on above and below market leases.

• Other Intangible Assets – The Company considers whether it has acquired other intangible assets, including any customer relationship intangibles and the amortization period is the estimated useful life of the acquired intangible asset.

• Building – Based on the fair value determined on an “as-if vacant” basis. Depreciation is calculated on the straight-line method over an estimated useful life of thirty years.

• Site Improvements – Based on replacement cost, which approximates fair value. Depreciation is calculated on the straight-line method over an estimated useful life of eight years.

• Long-Term Debt – The Company calculates the fair value by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings.

Replacements inside an apartment unit such as appliances and carpeting are depreciated over an estimated useful life of five to ten years. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve and/or extend the useful life of the asset are capitalized over their estimated useful life, generally five to fifteen years. Initial direct leasing costs are expensed as incurred as such expense approximates the deferral and amortization of initial direct leasing costs over the lease terms. Property sales or dispositions are recorded when title transfers to unrelated third parties, contingencies have been removed and sufficient cash consideration has been received by the Company. Upon disposition, the related costs and accumulated depreciation are removed from the respective accounts. Any gain or loss on sale is recognized in accordance with accounting principles generally accepted in the United States.

The Company classifies real estate assets as real estate held for sale when it is probable a property will be disposed of (see below and Note 4 for further discussion).

The Company classifies properties under development and/or expansion and properties in the lease-up phase (including land) as construction-in-progress until construction has been completed and certificates of occupancy permits have been obtained.

Impairment of Long-Lived Assets

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

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For long-lived assets to be held and used, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, the Company would record an impairment loss for the difference between the estimated fair value and the carrying amount of the asset.

For long-lived assets to be disposed of, an impairment loss is recognized when the estimated fair value of the asset, less the estimated cost to sell, is less than the carrying amount of the asset measured at the time that the Company has determined it will sell the asset. Long-lived assets held for sale and the related liabilities are separately reported, with the long-lived assets reported at the lower of their carrying amounts or their estimated fair values, less their costs to sell, and are not depreciated after reclassification to real estate held for sale.

Cost Capitalization

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

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

During the years ended December 31, 2016, 2015 and 2014, the Company capitalized \$18.7 million, \$22.3 million and \$22.4 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances at one or more institutions typically exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions' non-performance.

Investment Securities

Investment securities are included in other assets in the consolidated balance sheets. These securities are classified as held-to-maturity and carried at amortized cost if management has the positive intent and ability to hold the securities to maturity. Otherwise, the securities are classified as available-for-sale and carried at estimated fair value with unrealized gains and losses included in accumulated other comprehensive (loss), a separate component of shareholders'

equity/partners' capital. As of December 31, 2016 and 2015, the Company did not hold any investment securities.

Fair Value of Financial Instruments, Including Derivative Instruments

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

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.

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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.

The Company recognizes all derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. In addition, fair value adjustments will affect either shareholders' equity/partners' capital or net income depending on whether the derivative instruments qualify as a hedge for accounting purposes and, if so, the nature of the hedging activity. When the terms of an underlying transaction are modified, or when the underlying transaction is terminated or completed, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income each period until the instrument matures. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market each period. The Company does not use derivatives for trading or speculative purposes.

Revenue Recognition

Rental income attributable to residential leases is recorded on a straight-line basis, which is not materially different than if it were recorded when due from residents and recognized monthly as it was earned. Leases entered into between a resident and a property for the rental of an apartment unit are generally year-to-year, renewable upon consent of both parties on an annual or monthly basis. Rental income attributable to retail/commercial leases is also recorded on a straight-line basis. Retail/commercial leases generally have five to ten year lease terms with market based renewal options. Fee and asset management revenue and interest income are recorded on an accrual basis.

Share-Based Compensation

The Company expenses share-based compensation such as restricted shares, restricted units and share options. Any common share of beneficial interest, \$0.01 par value per share (the "Common Shares") issued pursuant to EQR's incentive equity compensation and employee share purchase plans will result in ERPOP issuing units of partnership interest ("OP Units") to EQR on a one-for-one basis, with ERPOP receiving the net cash proceeds of such issuances. See Note 12 for further discussion.

The fair value of the option grants are recognized over the requisite service/vesting period of the options. The fair value for the Company's share options was estimated at the time the share options were granted using the Black-Scholes option pricing model with the primary grant in each year having the following weighted average assumptions:

	2016	2015	2014
Expected volatility (1)	26.3%	26.6%	27.0%
Expected life (2)	5 years	5 years	5 years
Expected dividend yield (3)	3.04%	3.13%	3.78%
Risk-free interest rate (4)	1.27%	1.29%	1.50%
Option valuation per share	\$13.02	\$13.68	\$9.12

(1) Expected volatility – Estimated based on the historical ten-year volatility of EQR's share price measured on a monthly basis.

(2) Expected life – Approximates the actual weighted average life of all share options granted since the Company went public in 1993.

(3)

Expected dividend yield – Calculated by averaging the historical annual yield on EQR shares for a period matching the expected life of each grant, with the annual yield calculated by dividing actual regular dividends (excluding any special dividends) by the average price of EQR's shares in a given year.

- (4) Risk-free interest rate – The most current U.S. Treasury rate available prior to the grant date for a period matching the expected life of each grant.

The valuation method and assumptions are the same as those the Company used in accounting for option expense in its consolidated financial statements. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model is only one method of valuing options. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the actual value of the options to the recipient may be significantly different.

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

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

Deferred tax assets and liabilities applicable to the TRS are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period enacted. The Company's deferred tax assets are generally the result of tax affected suspended interest deductions, net operating losses, differing depreciable lives on capitalized assets and the timing of expense recognition for certain accrued liabilities. As of December 31, 2016, the Company has recorded a deferred tax asset of approximately \$38.7 million, which is fully offset by a valuation allowance due to the uncertainty of realization. The company currently anticipates electing REIT status in the third quarter of 2017 for its primary TRS, retroactive to January 1, 2016.

The Company provided for income, franchise and excise taxes allocated as follows in the consolidated statements of operations and comprehensive income for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

	Year Ended		
	December 31,		
	2016	2015	2014
Income and other tax expense (benefit) (1)	\$1,613	\$917	\$1,394
Discontinued operations, net (2)	12	15	8
Provision for income, franchise and excise taxes (3)	\$1,625	\$932	\$1,402

(1) Primarily includes state and local income, excise and franchise taxes.

Primarily represents state and local income, excise and franchise taxes on operating properties sold prior to January 1, 2014 and included in discontinued operations. The amounts included in discontinued operations for the years

(2) ending December 31, 2016, 2015 and 2014 represent trailing activity for properties sold in 2013 and prior years.

None of the properties sold during the years ended December 31, 2016, 2015 and 2014 met the new criteria for reporting discontinued operations.

(3) All provisions for income tax amounts are current and none are deferred.

The Company's TRSs have approximately \$16.4 million of net operating loss ("NOL") carryforwards available as of January 1, 2017 that will expire between 2030 and 2032.

During the years ended December 31, 2016, 2015 and 2014, the Company's tax treatment of dividends and distributions were as follows (unaudited):

	Year Ended		
	December 31,		
	2016	2015	2014
Tax treatment of dividends and distributions:			
Ordinary dividends	\$0.722	\$1.591	\$1.475
Qualified dividends	—	0.037	0.088
Long-term capital gain	9.176	0.443	0.280
Unrecaptured section 1250 gain	3.117	0.139	0.157

Dividends and distributions declared per Common Share/Unit outstanding	\$ 13.015	\$ 2.210	\$ 2.000
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The unaudited cost of land and depreciable property, net of accumulated depreciation, for federal income tax purposes as of December 31, 2016 and 2015 was approximately \$15.8 billion and \$17.0 billion, respectively.

Noncontrolling Interests

A noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. In addition, consolidated net income is required to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and the amount of consolidated net income attributable to the parent and the noncontrolling interest are

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required to be disclosed on the face of the consolidated statements of operations and comprehensive income. See Note 3 for further discussion.

Operating Partnership: Net income is allocated to noncontrolling interests based on their respective ownership percentage of the Operating Partnership. The ownership percentage is calculated by dividing the number of OP Units held by the noncontrolling interests by the total OP Units held by the noncontrolling interests and EQR. Issuance of additional Common Shares and OP Units changes the ownership interests of both the noncontrolling interests and EQR. Such transactions and the related proceeds are treated as capital transactions.

Partially Owned Properties: The Company reflects noncontrolling interests in partially owned properties on the balance sheet for the portion of properties consolidated by the Company that are not wholly owned by the Company. The earnings or losses from those properties attributable to the noncontrolling interests are generally based on ownership percentage and are reflected as noncontrolling interests in partially owned properties in the consolidated statements of operations and comprehensive income.

Partners' Capital

The "Limited Partners" of ERPOP include various individuals and entities that contributed their properties to ERPOP in exchange for OP Units. The "General Partner" of ERPOP is EQR. Net income is allocated to the Limited Partners based on their respective ownership percentage of ERPOP. The ownership percentage is calculated by dividing the number of OP Units held by the Limited Partners by the total OP Units held by the Limited Partners and the General Partner. Issuance of additional Common Shares and OP Units changes the ownership interests of both the Limited Partners and EQR. Such transactions and the related proceeds are treated as capital transactions.

Redeemable Noncontrolling Interests – Operating Partnership / Redeemable Limited Partners

The Company classifies Redeemable Noncontrolling Interests – Operating Partnership / Redeemable Limited Partners in the mezzanine section of the consolidated balance sheets for the portion of OP Units that EQR is required, either by contract or securities law, to deliver registered Common Shares to the exchanging OP Unit holder. The redeemable noncontrolling interest units / 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. See Note 3 for further discussion.

Use of Estimates

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.

Reclassifications

Certain reclassifications considered necessary for a fair presentation have been made to the prior period financial statements in order to conform to the current year presentation. These reclassifications have not changed the results of operations or equity/capital.

Recent 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 will be effective for the Company beginning on January 1, 2018 and early adoption will be permitted beginning on January 1, 2017. 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 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. The Company is continuing to evaluate the standard; however, we do not expect

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its adoption to have a significant impact on the consolidated financial statements, as in excess of 90% 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 (see Note 18 for further discussion) and given the nature of its disposition transactions, there should be no changes in accounting under the new standard.

In August 2014, the FASB issued a new standard that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date. Disclosures will be required if conditions give rise to substantial doubt. However, to determine the specific disclosures, management will need to assess whether its plans will alleviate substantial doubt. The Company adopted this new standard as required effective for the annual period ending after December 31, 2016. The adoption of this standard did not have a material impact on our consolidated results of operations or financial position.

In February 2015, the FASB issued new consolidation guidance which makes 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 April 2015, the FASB issued a new standard which requires companies to present debt financing costs as a direct deduction from the carrying amount of the associated debt liability rather than as an asset, consistent with the presentation of debt discounts on the consolidated balance sheets. Companies will be permitted to present debt issuance costs related to line of credit arrangements as an asset and amortize these costs over the term of the arrangement, regardless of whether there are any outstanding borrowings on the arrangement. The new standard must be applied retrospectively to all prior periods presented in the consolidated financial statements. The Company adopted this standard as required effective January 1, 2016 and other than presentation on the consolidated balance sheets, it did not have a material effect on its consolidated results of operations or financial position. As of December 31, 2016, \$12.1 million, \$16.3 million and \$26.4 million of deferred financing costs were included within other assets, mortgage notes payable, net and notes, net respectively, on the consolidated balance sheets. As of December 31, 2015, the following amounts of deferred financing costs were reclassified (amounts in thousands):

	As Originally Presented	Reclassification Adjustments	As Presented Herein
Deferred financing costs, net	\$54,004	\$ (54,004)	\$—
Other assets	\$422,027	\$ 6,872	\$428,899
Mortgage notes payable, net	\$4,704,870	\$ (19,736)	\$4,685,134
Notes, net	\$5,876,352	\$ (27,396)	\$5,848,956

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 the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating 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 based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is expected to impact the Company's consolidated financial statements as, among other things, the Company has certain operating ground lease arrangements for which it is the lessee. The new standard will be effective for the Company beginning on January 1, 2019, with early adoption permitted. The

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Company is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In March 2016, the FASB issued a new standard which simplifies 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 new standard was effective for the Company beginning on 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 is currently required. The Company does not expect that this will have a material effect on its consolidated results of operations or 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 lease and other 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 is currently evaluating the impact of adopting the new standards on its consolidated results of operations and financial position.

In January 2017, the FASB issued a new standard which clarifies definition of a business. The standard's objective is 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 is generally measured at fair value. The new standard will be applied prospectively to any transactions

occurring within the period of adoption. The new standard will be effective for the Company beginning on January 1, 2018, but the Company early adopted it 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 \$10.6 million at December 31, 2016. 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 \$7.7 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

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their assets warrant a distribution based on the partnership agreements. As of December 31, 2016, the Company estimates the value of Noncontrolling Interest distributions for these four properties would have been approximately \$62.6 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 December 31, 2016 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 years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Common Shares			
Common Shares outstanding at January 1,	364,755,444	362,855,454	360,479,260
Common Shares Issued:			
Conversion of OP Units	88,838	208,307	94,671
Exercise of share options	815,044	1,456,363	2,086,380
Employee Share Purchase Plan (ESPP)	63,909	68,462	68,807
Restricted share grants, net	147,689	168,142	169,722
Common Shares Other:			
Conversion of restricted shares to restricted units	—	(1,284)	(12,146)
Repurchased and retired	—	—	(31,240)
Common Shares outstanding at December 31,	365,870,924	364,755,444	362,855,454
Units			
Units outstanding at January 1,	14,427,164	14,298,691	14,180,376
Restricted unit grants, net	287,749	335,496	200,840
Conversion of restricted shares to restricted units	—	1,284	12,146
Conversion of OP Units to Common Shares	(88,838)	(208,307)	(94,671)
Units outstanding at December 31,	14,626,075	14,427,164	14,298,691
Total Common Shares and Units outstanding at December 31,	380,496,999	379,182,608	377,154,145
Units Ownership Interest in Operating Partnership	3.8	% 3.8	% 3.8

The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of 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”.

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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 classified in permanent equity at December 31, 2016 and 2015.

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 December 31, 2016, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately \$442.1 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Noncontrolling Interests – Operating Partnership Units.

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership for the years ended December 31, 2016, 2015 and 2014, respectively (amounts in thousands):

	2016	2015	2014
Balance at January 1,	\$566,783	\$500,733	\$363,144
Change in market value	(115,093)	64,378	139,818
Change in carrying value	(9,598)	1,672	(2,229)
Balance at December 31,	\$442,092	\$566,783	\$500,733

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 December 31, 2016 and 2015:

Redemption Date (1)	Annual Dividend per Share (2)	Amounts in thousands	
		December 31, 2016	December 31, 2015

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	12/10/26	\$ 4.145	\$37,280	\$ 37,280
at December 31, 2016 and 2015				

\$37,280 \$ 37,280

On or after the redemption date, redeemable preferred shares may be redeemed for cash at the option of the (1) 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.

During 2015, the Company repurchased and retired 254,400 Series K Preferred Shares with a par value of \$12.7 million for total cash consideration of approximately \$16.3 million. As a result of this partial redemption, the Company incurred a cash charge of approximately \$3.5 million which was recorded as a premium on the redemption of Preferred Shares.

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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 years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
General and Limited Partner Units			
General and Limited Partner Units outstanding at January 1,	379,182,608	377,154,145	374,659,636
Issued to General Partner:			
Exercise of EQR share options	815,044	1,456,363	2,086,380
EQR's Employee Share Purchase Plan (ESPP)	63,909	68,462	68,807
EQR's restricted share grants, net	147,689	168,142	169,722
Issued to Limited Partners:			
Restricted unit grants, net	287,749	335,496	200,840
OP Units Other:			
Repurchased and retired	—	—	(31,240)
General and Limited Partner Units outstanding at December 31,	380,496,999	379,182,608	377,154,145
Limited Partner Units			
Limited Partner Units outstanding at January 1,	14,427,164	14,298,691	14,180,376
Limited Partner restricted unit grants, net	287,749	335,496	200,840
Conversion of EQR restricted shares to restricted units	—	1,284	12,146
Conversion of Limited Partner OP Units to EQR Common Shares	(88,838)	(208,307)	(94,671)
Limited Partner Units outstanding at December 31,	14,626,075	14,427,164	14,298,691
Limited Partner Units Ownership Interest in Operating Partnership	3.8	% 3.8	% 3.8 %

The Limited Partners of the Operating Partnership as of December 31, 2016 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 December 31, 2016 and 2015.

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 December 31, 2016, the Redeemable Limited Partner Units have a redemption value of approximately \$442.1 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Limited Partner Units.

The following table presents the changes in the redemption value of the Redeemable Limited Partners for the years ended December 31, 2016, 2015 and 2014, respectively (amounts in thousands):

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	2016	2015	2014
Balance at January 1,	\$566,783	\$500,733	\$363,144
Change in market value	(115,093)	64,378	139,818
Change in carrying value	(9,598)	1,672	(2,229)
Balance at December 31,	\$442,092	\$566,783	\$500,733

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 December 31, 2016 and 2015:

	Redemption Date (1)	Annual Dividend per Unit (2)	Amounts in thousands	
			December 31, 2016	December 31, 2015
Preference Units:				
8.29% Series K Cumulative Redeemable Preference Units;				
liquidation value \$50 per unit; 745,600 units issued and outstanding at December 31, 2016 and 2015	12/10/26	\$ 4.145	\$ 37,280	\$ 37,280
			\$37,280	\$ 37,280

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

(2) Dividends on Preference Units are payable quarterly.

During 2015, the Operating Partnership repurchased and retired 254,400 Series K Preferred Shares with a par value of \$12.7 million for total cash consideration of approximately \$16.3 million, in conjunction with the concurrent redemption of the corresponding Company Preferred Shares. As a result of this partial redemption, the Operating Partnership incurred a cash charge of approximately \$3.5 million which was recorded as a premium on the redemption of Preference Units.

Other

EQR and ERPOP currently have an active universal shelf registration statement for the issuance of equity and debt securities that automatically became effective upon filing with the SEC on June 28, 2016 and expires on June 28, 2019. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

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 years ended December 31, 2016 and 2015. As of December 31, 2016, EQR has authorization to repurchase up to 13.0 million of its shares under the repurchase program.

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

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During the year ended December 31, 2014, the Company acquired all of its partners' interests in one consolidated partially owned property consisting of 268 apartment units and one consolidated partially owned land parcel for \$5.5 million. In conjunction with these transactions, the Company reduced paid in capital (included in general partner's capital in the Operating Partnership's financial statements) by \$2.3 million, Noncontrolling Interests – Partially Owned Properties by \$2.2 million and other liabilities by \$1.0 million.

4. Real Estate, Real Estate Held for Sale and Lease Intangibles

The following table summarizes the carrying amounts for the Company's investment in real estate (at cost) as of December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Land	\$5,899,862	\$5,864,046
Depreciable property:		
Buildings and improvements	16,913,430	16,346,829
Furniture, fixtures and equipment	1,346,300	1,207,098
In-Place lease intangibles	470,849	483,160
Projects under development:		
Land	115,876	284,995
Construction-in-progress	521,292	837,381
Land held for development:		
Land	84,440	120,007
Construction-in-progress	34,376	38,836
Investment in real estate	25,386,425	25,182,352
Accumulated depreciation	(5,360,389)	(4,905,406)
Investment in real estate, net	\$20,026,036	\$20,276,946

The following table summarizes the carrying amounts for the Company's above and below market ground and retail lease intangibles as of December 31, 2016 and 2015 (amounts in thousands):

Description	Balance Sheet Location	2016	2015
Assets			
Ground lease intangibles – below market	Other Assets	\$178,251	\$178,251
Retail lease intangibles – above market	Other Assets	1,260	1,260
Lease intangible assets		179,511	179,511
Accumulated amortization		(17,972)	(13,451)
Lease intangible assets, net		\$161,539	\$166,060
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		(4,509)	(3,414)
Lease intangible liabilities, net		\$3,161	\$4,256

During the years ended December 31, 2016, 2015 and 2014, the Company amortized approximately \$4.3 million in each year of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statements of operations and comprehensive income. During the years ended December 31, 2016, 2015 and 2014, the Company amortized approximately \$0.9 million, \$0.9 million

and \$1.1 million, respectively, of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statements of operations and comprehensive income.

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

	2017	2018	2019	2020	2021
Ground lease intangibles	\$4,321	\$4,321	\$4,321	\$4,321	\$4,321
Retail lease intangibles	(540)	(71)	(71)	(71)	(67)
Total	\$3,781	\$4,250	\$4,250	\$4,250	\$4,254

Acquisitions and Dispositions

During the year ended December 31, 2016, 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	573	\$249,334
Total	4	573	\$249,334

(1) Purchase price includes an allocation of approximately \$98.0 million to land and \$151.3 million to depreciable property.

During the year ended December 31, 2015, 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	625	\$296,037
Land Parcels (2)	—	—	27,800
Total	4	625	\$323,837

(1) Purchase price includes an allocation of approximately \$44.7 million to land and \$251.3 million to depreciable property.

(2) The Company acquired three contiguous land parcels in San Francisco during 2015 which will be combined for future development.

During the year ended December 31, 2016, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Consolidated:			
Rental Properties (1)	98	29,440	\$6,811,503
Land Parcels	—	—	57,455
Unconsolidated:			
Rental Properties (2)	1	336	74,500
Total	99	29,776	\$6,943,458

(1) Includes the Starwood Portfolio sale (see further discussion below) representing 72 operating properties consisting of 23,262 apartment units for \$5.365 billion.

(2) The Company owned a 20% interest in this unconsolidated rental property. Sale price listed is the gross sale price. The Company's share of the net sales proceeds approximated \$12.4 million.

The Company recognized a net gain on sales of real estate properties of approximately \$4.0 billion (inclusive of \$3.2 billion on the Starwood Portfolio sale), a net gain on sales of land parcels of approximately \$15.7 million and a net gain on sales of unconsolidated entities of approximately \$8.9 million on the above sales.

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During the year ended December 31, 2015, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Consolidated:			
Rental Properties (1)	8	1,857	\$513,312
Total	8	1,857	\$513,312

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Includes a 193,230 square foot medical office building adjacent to our Longfellow Place property in Boston with a (1) sales price of approximately \$123.3 million which is not included in the Company's property and apartment unit counts.

The Company recognized a net gain on sales of real estate properties of approximately \$335.1 million on the above sales.

Starwood Disposition

Following the approval by the Company's Board of Trustees, 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"). As of December 31, 2015, Starwood had deposited \$250.0 million in cash into escrow as earnest money, which was non-refundable unless the Company defaulted on the sales agreement. On January 26 and 27, 2016, the Company closed on the sale of the entire portfolio described above. As a result, the Starwood Transaction met the held for sale criteria at December 31, 2015. In accordance with this classification, the Company ceased depreciation on all assets in the Starwood Portfolio as of November 1, 2015 and the following assets were classified as held for sale in the accompanying consolidated balance sheets at December 31, 2015 (amounts in thousands):

	December 31, 2015
Land	\$ 602,737
Depreciable property:	
Buildings and improvements	2,386,489
Furniture, fixtures and equipment	335,565
In-Place lease intangibles	35,554
Real estate held for sale before accumulated depreciation	3,360,345
Accumulated depreciation	(1,179,210)
Real estate held for sale	\$ 2,181,135

The following table provides the operating segments/locations of the properties and apartment units sold in the Starwood Transaction, which represents substantially all of the assets in the Company's South Florida and Denver markets and certain assets in the Washington D.C., Seattle and Los Angeles markets. The sale of these properties represents the continuation of the Company's long-term strategy of investing in six core coastal markets. See Note 11 for further discussion.

Markets/Metro Areas	Properties	Apartment Units
South Florida	33	10,742
Denver	18	6,635
Washington D.C.	10	3,020
Seattle	8	1,721
Los Angeles	3	1,144
Total	72	23,262

The Company used proceeds from the Starwood Transaction and other 2016 sales discussed above to pay special dividends of \$8.00 per share/unit (approximately \$3.0 billion) on March 10, 2016 and \$3.00 per share/unit (approximately \$1.1 billion) on October 14, 2016. The Company used the majority of the remaining proceeds to reduce aggregate indebtedness in order to make the transaction leverage neutral. See Note 8 for further discussion.

Other

In December 2011, the Company and Toll Brothers (NYSE: TOL) jointly acquired a vacant land parcel at 400 Park Avenue South in New York City. The Company's and Toll Brothers' allocated portions of the purchase price were approximately \$76.1 million and \$57.9 million, respectively. The acquisition was financed through contributions by the Company and Toll Brothers of approximately \$102.5 million and \$75.7 million, respectively, which included the land purchase noted above, restricted deposits and taxes and fees. Until the core and shell of the building were complete, the building and land were owned jointly and were required to be consolidated on the Company's balance sheet as the Company was the managing member and Toll Brothers did not have substantive kick-out or participating rights. In July 2015, the Company recorded the master condominium declaration for this development project and as a result, the Toll Brothers' portion of the property was deconsolidated from the Company's balance sheet. The Company now solely owns the rental portion of the building (floors 2-22) and the ground floor retail and Toll

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Brothers solely owns the for sale portion of the building (floors 23-40). The joint venture no longer owns any real property. In conjunction with this transaction, the Company reduced investment in real estate by \$116.7 million, noncontrolling interests in partially owned properties by \$117.3 million and accrued retainage by \$1.1 million and increased other liabilities by \$1.7 million (to account for Toll Brothers' restricted cash still held by the Company). The deconsolidation of the Toll Brothers' portion of the project had no impact on the consolidated results of operations and comprehensive income.

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 February 17, 2017.

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

	Properties	Apartment Units	Sales Price
Rental Properties	2	592	\$98,700
Land Parcels (two)	—	—	36,150
Total	2	592	\$134,850

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

6. Investments in Partially Owned Entities

The Company has co-invested in various properties with unrelated third parties which are either consolidated or accounted for under the equity method of accounting (unconsolidated). The following tables and information summarize the Company's investments in partially owned entities as of December 31, 2016 (amounts in thousands except for project and apartment unit amounts):

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	Consolidated		Unconsolidated	
	(VIE)	(Non-VIE)	(VIE) (1)	Total
Total properties	17	2	—	2
Total apartment units	3,215	945	—	945
Balance sheet information at 12/31/16 (at 100%):				
ASSETS				
Investment in real estate	\$ 646,320	\$ 235,821	\$ 172,995	\$ 408,816
Accumulated depreciation	(211,038)	(32,881)	(44,544)	(77,425)
Investment in real estate, net	435,282	202,940	128,451	331,391
Cash and cash equivalents	30,271	5,287	47	5,334
Investments in unconsolidated entities	46,908	—	—	—
Deposits – restricted	345	262	—	262
Other assets	26,203	157	334	491
Total assets	\$ 539,009	\$ 208,646	\$ 128,832	\$ 337,478
LIABILITIES AND EQUITY/CAPITAL				
Mortgage notes payable, net (2)	\$ 301,110	\$ 145,424	\$—	\$ 145,424
Accounts payable & accrued expenses	1,088	189	135	324
Accrued interest payable	1,037	691	—	691
Other liabilities	600	268	70	338
Security deposits	1,850	493	—	493
Total liabilities	305,685	147,065	205	147,270
Noncontrolling Interests – Partially Owned Properties/Partners' equity	10,609	59,115	86,120	145,235
Company equity/General and Limited Partners' Capital	222,715	2,466	42,507	44,973
Total equity/capital	233,324	61,581	128,627	190,208
Total liabilities and equity/capital	\$ 539,009	\$ 208,646	\$ 128,832	\$ 337,478
Operating information for the year ended 12/31/16 (at 100%):				
	Consolidated		Unconsolidated	
	(VIE)	(Non-VIE)	(VIE)	Total
		(1)		
Operating revenue	\$ 90,634	\$ 26,615	\$ 5,214	\$ 31,829
Operating expenses	21,647	9,088	2,023	11,111
Net operating income	68,987	17,527	3,191	20,718
Property management	3,190	776	75	851
General and administrative/other	328	2	81	83
Depreciation	20,764	10,510	5,501	16,011
Operating income (loss)	44,705	6,239	(2,466)	3,773
Interest and other income	53	—	—	—
Other expenses	(8)	—	—	—
Interest:				

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Expense incurred, net	(13,857) (8,289) —	(8,289)
Amortization of deferred financing costs	(345) (1) —	(1)
Income (loss) before income and other taxes and (loss) from investments in unconsolidated entities	30,548	(2,051	) (2,466	) (4,517)
Income and other tax (expense) benefit	(73	) (13	) —	(13)
(Loss) from investments in unconsolidated entities	(1,439) —	—	—	
Net income (loss)	\$ 29,036	\$ (2,064	) \$ (2,466)	\$ (4,530)

Includes the Company's unconsolidated interest in an entity that owns the land underlying our Wisconsin Place (1) 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 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 (such assets are referred to herein as "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 \$39.9 million at December 31, 2016. The ventures are owned 60% by the Company. See below for further discussion.

During the year ended December 31, 2016, the Company and its joint venture partners sold two consolidated partially owned properties consisting of 556 apartment units and recognized a net gain on sale of \$54.3 million as well as one unconsolidated partially owned property consisting of 336 apartment units and recognized a net gain on the sale of approximately \$8.9 million.

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 balance sheet.

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 December 31, 2016, the residential component had a net book value of \$170.8 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 balance sheet.

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 December 31, 2016, the basis of this investment was \$46.9 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 \$5.0 million at December 31, 2016. The Domain joint venture owns a 444 unit apartment property located in San Jose, California and the Company's interest had a basis of \$9.3 million at December 31, 2016. Nexus Sawgrass and Domain were completed and stabilized during the quarters ended September 30, 2014 and March 31, 2015, respectively. Construction on both properties was predominantly 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, was responsible for constructing both of the properties and gave certain construction cost overrun guarantees, 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. The Company currently has no further funding obligations related to these properties.

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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 balance sheet.

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 initial investment was \$147.6 million and the Company's basis at December 31, 2016 was a net obligation of \$1.1 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 December 31, 2016, the remaining preferred interests had an aggregate liquidation value of \$39.9 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 December 31, 2016 and 2015 (amounts in thousands):

	December 31, 2016	December 31, 2015
Tax-deferred (1031) exchange proceeds	\$ 38,847	\$ —
Earnest money on pending acquisitions	—	1,000
Restricted deposits on real estate investments	733	6,077
Resident security and utility deposits	37,007	48,458
Other	359	358
Totals	\$ 76,946	\$ 55,893

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The following table presents the Company's escrow deposits as of December 31, 2016 and 2015 (amounts in thousands):

	December 31, 2016	December 31, 2015
Real estate taxes and insurance	\$ 2,003	\$ 1,977
Replacement reserves	3,428	3,962
Mortgage principal reserves/sinking funds	58,652	50,155
Other	852	852
Totals	\$ 64,935	\$ 56,946

8. Debt

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. EQR guarantees the Operating

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Partnership's revolving credit facility up to the maximum amount and for the full term of the facility. See Note 2 for a discussion regarding adoption of the new accounting standard impacting deferred financing costs.

Mortgage Notes Payable

As of December 31, 2016, the Company had outstanding mortgage debt of approximately \$4.1 billion.

During the year ended December 31, 2016, the Company:

• Repaid \$440.8 million of 6.256% mortgage debt held in a Fannie Mae loan pool maturing in 2017 and incurred a prepayment penalty of approximately \$29.3 million;

• Repaid \$65.5 million of various tax-exempt mortgage bonds maturing in 2026 through 2037 and incurred a prepayment penalty of approximately \$0.2 million;

• Repaid \$75.9 million of conventional fixed-rate mortgage loans and incurred prepayment penalties of approximately \$2.2 million;

• Repaid \$0.9 million of conventional floating-rate mortgage loans;

• Repaid \$8.5 million of scheduled principal repayments on various mortgage debt; and

• Assumed \$43.4 million of mortgage debt on one acquired property.

The Company recorded \$1.6 million of write-offs of unamortized deferred financing costs during the year ended December 31, 2016 as additional interest expense related to debt extinguishment of mortgages. The Company also recorded \$20.7 million of write-offs of net unamortized premiums during the year ended December 31, 2016 as a reduction of interest expense related to debt extinguishment of mortgages.

As of December 31, 2016, the Company had \$601.9 million of secured debt subject to third party credit enhancement.

As of December 31, 2016, scheduled maturities for the Company's outstanding mortgage indebtedness were at various dates through May 28, 2061. At December 31, 2016, the interest rate range on the Company's mortgage debt was 0.10% to 7.20%. During the year ended December 31, 2016, the weighted average interest rate on the Company's mortgage debt was 4.34%.

The historical cost, net of accumulated depreciation, of encumbered properties was \$5.0 billion and \$6.0 billion at December 31, 2016 and 2015, respectively.

As of December 31, 2015, the Company had outstanding mortgage debt of approximately \$4.7 billion.

During the year ended December 31, 2015, the Company repaid \$368.5 million of mortgage loans.

The Company recorded \$0.6 million of write-offs of unamortized deferred financing costs during the year ended December 31, 2015 as additional interest expense related to debt extinguishment of mortgages. The Company also recorded \$1.4 million of write-offs of net unamortized premiums during the year ended December 31, 2015 as a reduction of interest expense related to debt extinguishment of mortgages.

As of December 31, 2015, the Company had \$668.8 million of secured debt subject to third party credit enhancement.

As of December 31, 2015, scheduled maturities for the Company's outstanding mortgage indebtedness were at various dates through May 28, 2061. At December 31, 2015, the interest rate range on the Company's mortgage debt was 0.01% to 7.25%. During the year ended December 31, 2015, the weighted average interest rate on the Company's mortgage debt was 4.23%.

Notes

The following tables summarize the Company's unsecured note balances and certain interest rate and maturity date information as of and for the years ended December 31, 2016 and 2015, respectively:

December 31, 2016 (Amounts in thousands)	Net Principal Balance	Interest Rate Ranges	Weighted Average Interest Rate	Maturity Date Ranges
Fixed Rate Public Notes (1)	\$4,397,829	2.85% - 7.57%	4.90%	2017 - 2045
Floating Rate Public Notes (1)	450,250	(1)	1.28%	2019
Totals	\$4,848,079			

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December 31, 2015 (Amounts in thousands)	Net Principal Balance	Interest Rate Ranges	Weighted Average Interest Rate	Maturity Date Ranges
Fixed Rate Public Notes (1)	\$5,397,552	3.00% - 7.57%	5.30%	2016 - 2045
Floating Rate Public Notes (1)	451,404	(1)	0.93%	2019
Totals	\$5,848,956			

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

The Company's unsecured public debt contains certain financial and operating covenants including, among other things, maintenance of certain financial ratios. The Company was in compliance with its unsecured public debt covenants for both the years ended December 31, 2016 and 2015.

EQR and ERPOP currently have an active universal shelf registration statement for the issuance of equity and debt securities that automatically became effective upon filing with the SEC on June 28, 2016 and expires on June 28, 2019. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

During the year ended December 31, 2016, the Company:

- Repaid \$228.9 million of 5.125% unsecured notes maturing in 2016 and incurred a prepayment penalty of approximately \$1.4 million and repaid the remaining \$271.1 million of 5.125% unsecured notes at maturity;
- Repaid \$400.0 million of 5.375% unsecured notes maturing in 2016 and incurred a prepayment penalty of approximately \$9.5 million;
- Repaid \$255.9 million of 5.750% unsecured notes maturing in 2017 and incurred a prepayment penalty of approximately \$16.5 million;
- Repaid \$46.1 million of 7.125% unsecured notes maturing in 2017 and incurred a prepayment penalty of approximately \$4.6 million;
- Repaid \$250.0 million of 4.625% unsecured notes maturing in 2021 and incurred a prepayment penalty of approximately \$31.6 million;
- Repaid \$48.0 million of 7.570% unsecured notes maturing in 2026 and incurred a prepayment penalty of approximately \$19.3 million; and

Issued \$500.0 million of ten-year 2.85% fixed rate public notes, receiving net proceeds of \$496.7 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of approximately 3.10% after termination of a forward starting swap in conjunction with the issuance (see Note 9 for further discussion).

The Company recorded \$1.9 million of write-offs of unamortized deferred financing costs during the year ended December 31, 2016 as additional interest expense related to debt extinguishment of unsecured notes. The Company also recorded \$25.2 million of write-offs of net unamortized premiums/discounts/OCI/treasury locks during the year ended December 31, 2016 as additional interest expense related to debt extinguishment of unsecured notes.

During the year ended December 31, 2015, the Company:

- Repaid \$300.0 million of 6.584% unsecured notes at maturity;

Issued \$450.0 million of ten-year 3.375% fixed rate public notes, receiving net proceeds of \$447.5 million before underwriting fees, hedge termination costs and other expenses, at an all-in effective interest rate of 3.81% after termination of various forward starting swaps in conjunction with the issuance (see Note 9 for further discussion); and Issued \$300.0 million of thirty-year 4.50% fixed rate public notes, receiving net proceeds of \$298.9 million before underwriting fees and other expenses, at an all-in effective interest rate of 4.55%.

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

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fee are dependent on the credit rating of the Company's long-term debt. The Company wrote off \$0.4 million in unamortized deferred financing costs related to the old facility.

The Company's previous \$2.5 billion unsecured revolving credit facility was set to mature on April 2, 2018. The Company had the ability to increase available borrowings by an additional \$500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the facility was generally LIBOR plus a spread (was 0.95% at termination), or based on bids received from the lending group, and the Company paid an annual facility fee (was 15 basis points at termination). Both the spread and the facility fee were 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 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 December 31, 2016, there was a balance of \$20.0 million outstanding on the commercial paper program. As of December 31, 2015, there was a balance of \$387.3 million on the commercial paper program (\$387.5 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 0.90% and 0.56% for the years ended December 31, 2016 and 2015, respectively, and a weighted average maturity of 4 days and 19 days as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, the amount available on the revolving credit facility was \$1.96 billion (net of \$20.6 million which was restricted/dedicated to support letters of credit and net of the \$20.0 million outstanding on the commercial paper program). During the year ended December 31, 2016, the weighted average interest rate on the revolving credit facility was 1.37%. As of December 31, 2015, the amount available on the revolving credit facility was \$2.07 billion (net of \$45.1 million which was restricted/dedicated to support letters of credit and net of the \$387.5 million outstanding on the commercial paper program). During the year ended December 31, 2015, the weighted average interest rate on the revolving credit facility was 1.07%.

Other

The following table provides a summary of the aggregate payments of principal on all debt for each of the next five years and thereafter as of December 31, 2016 (amounts in thousands):

Year	Total
2017	\$628,458
2018	184,369
2019	1,286,037
2020	1,690,090
2021	941,157
Thereafter	4,366,516
Deferred Financing Costs	(42,617)
Net Unamortized (Discount)	(66,752)
Total	\$8,987,258

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

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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.

The carrying values of the Company's mortgage notes payable and unsecured debt (including its commercial paper) were approximately \$4.1 billion and \$4.9 billion, respectively, at December 31, 2016. The fair values of the Company's mortgage notes payable and unsecured debt (including its commercial paper) were approximately \$4.2 billion (Level 2) and \$5.0 billion (Level 2), respectively, at December 31, 2016. The carrying values of the Company's mortgage notes payable and unsecured debt (including its commercial paper) were approximately \$4.7 billion and \$6.2 billion respectively, at December 31, 2015. The fair values of the Company's mortgage notes payable and unsecured debt (including its commercial paper) were approximately \$4.6 billion (Level 2) and \$6.5 billion (Level 2), respectively, at December 31, 2015. The fair values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, commercial paper and derivative instruments), including cash and cash equivalents and other financial instruments, approximate their carrying or contract values.

The following table summarizes the Company's consolidated derivative instruments at December 31, 2016 (dollar amounts are in thousands):

	Fair Value
	Hedges (1)
Current Notional Balance	\$450,000
Indicative Interest Rate	2.375 %
Maturity Date	2019

(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%.

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 December 31, 2016 and 2015, respectively (amounts in thousands):

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Description	Balance Sheet Location	12/31/2016	Fair Value Measurements at Reporting Date Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Fair Value Hedges	Other Assets	\$ 1,857	\$ —	\$ 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	\$ —

Description	Balance Sheet Location	12/31/2015	Fair Value Measurements at Reporting Date Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Derivatives designated as					

hedging
instruments:

Interest Rate

Contracts:

Fair Value Hedges	Other Assets	\$ 3,655	\$ —	\$ 3,655	\$	—
Supplemental Executive Retirement Plan	Other Assets	105,942	105,942	—	—	—
Total		\$ 109,597	\$ 105,942	\$ 3,655	\$	—

Liabilities

Derivatives

designated as

hedging

instruments:

Interest Rate

Contracts:

Forward

Starting Swaps

Supplemental

Executive Retirement Plan

Total

Other Liabilities	\$ 673	\$ —	\$ 673	\$	—
Other Liabilities	105,942	105,942	—	—	—
Total	\$ 106,615	\$ 105,942	\$ 673	\$	—

Redeemable

Noncontrolling

Interests –

Operating

Partnership/Redeemable

Limited

Partners

Mezzanine	\$ 566,783	\$ —	\$ 566,783	\$	—
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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 years ended December 31, 2016, 2015 and 2014, respectively (amounts in thousands):

December 31, 2016 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income on Hedged Item
Derivatives designated as hedging instruments: Interest Rate Contracts:					
Interest Rate Swaps	Interest expense	\$ (1,798)	Fixed rate debt	Interest expense	\$ 1,798
Total		\$ (1,798)			\$ 1,798

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December 31, 2015 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income on Hedged Item
Derivatives designated as hedging instruments: Interest Rate Contracts:					
Interest Rate Swaps	Interest expense	\$ 2,058	Fixed rate debt	Interest expense	\$ (2,058)
Total		\$ 2,058			\$ (2,058)

December 31, 2014 Type of Fair Value Hedge	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative	Hedged Item	Income Statement Location of Hedged Item Gain/(Loss)	Amount of Gain/(Loss) Recognized in Income on Hedged Item
Derivatives designated as hedging instruments: Interest Rate Contracts:					
Interest Rate Swaps	Interest expense	\$ 1,597	Fixed rate debt	Interest expense	\$ (1,597)
Total		\$ 1,597			\$ (1,597)

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 years ended December 31, 2016, 2015 and 2014, respectively (amounts in thousands):

December 31, 2016 Type of Cash Flow Hedge	Effective Portion		Ineffective Portion		
	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income
Derivatives designated as hedging instruments: Interest Rate Contracts:					
Forward Starting Swaps	\$(3,989)	Interest expense	\$ (41,758)	Interest expense	\$ (74)
Total	\$(3,989)		\$ (41,758)		\$ (74)
	Effective Portion		Ineffective Portion		

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December 31, 2015 Type of Cash Flow Hedge	Amount of Gain/(Loss) of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Forward Starting Swaps	\$ (814)	Interest expense	\$ (18,244)	Interest expense	\$ (3,033)
Total	\$ (814)		\$ (18,244)		\$ (3,033)

December 31, 2014 Type of Cash Flow Hedge	Effective Portion		Ineffective Portion		
	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income
Derivatives designated as hedging instruments:					
Interest Rate Contracts:					
Forward Starting Swaps	\$ (33,215)	Interest expense	\$ (16,868)	Interest expense	\$ 91
Total	\$ (33,215)		\$ (16,868)		\$ 91

As of December 31, 2016 and 2015, there were approximately \$113.9 million and \$151.8 million in deferred losses, net, included in accumulated other comprehensive (loss), respectively, related to derivative instruments. Based on the estimated fair values of the net derivative instruments at December 31, 2016, the Company may recognize an estimated \$21.9 million of accumulated other comprehensive (loss) as additional interest expense during the year ending December 31, 2017.

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In October 2016, the Company paid \$4.7 million to settle a forward starting ten-year swap in conjunction with the issuance of \$500.0 million of ten-year fixed rate public notes. The ineffective portion of approximately \$74,000 and accrued interest of approximately \$9,000 were recorded as increases to interest expense. The remaining amount of approximately \$4.6 million will be deferred as a component of accumulated other comprehensive (loss) and recognized as an increase to interest expense over the approximate term of the notes.

In May 2015, the Company paid a net \$15.1 million to settle nine forward starting ten-year swaps in conjunction with the issuance of \$450.0 million of ten-year fixed rate public notes. The ineffective portion of approximately \$30,000 and accrued interest of approximately \$1.2 million were recorded as increases to interest expense. The remaining amount of approximately \$13.9 million will be deferred as a component of accumulated other comprehensive (loss) and recognized as an increase to interest expense over the first 9 years and 10.5 months of the notes.

During the year ended December 31, 2015, the Company recorded approximately \$3.0 million of deferred accumulated other comprehensive (loss) as additional interest expense due to the ineffectiveness of certain forward starting swaps.

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

10.Earnings Per Share and Earnings Per Unit

Equity Residential

The following tables set forth the computation of net income per share – basic and net income per share – diluted for the Company (amounts in thousands except per share amounts):

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	Year Ended December 31,		
	2016	2015	2014
Numerator for net income per share – basic:			
Income from continuing operations	\$4,479,586	\$907,621	\$657,101
Allocation to Noncontrolling Interests – Operating Partnership, net	(171,491)	(34,226)	(24,771)
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)
Preferred distributions	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares	—	(3,486)	—
Income from continuing operations available to Common Shares, net of Noncontrolling Interests	4,288,574	862,895	625,641
Discontinued operations, net of Noncontrolling Interests	498	382	1,522
Numerator for net income per share – basic	\$4,289,072	\$863,277	\$627,163
Numerator for net income per share – diluted:			
Income from continuing operations	\$4,479,586	\$907,621	\$657,101
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)
Preferred distributions	(3,091)	(3,357)	(4,145)
Premium on redemption of Preferred Shares	—	(3,486)	—
Income from continuing operations available to Common Shares	4,460,065	897,121	650,412
Discontinued operations, net	518	397	1,582
Numerator for net income per share – diluted	\$4,460,583	\$897,518	\$651,994
Denominator for net income per share – basic and diluted:			
Denominator for net income per share – basic	365,002	363,498	361,181
Effect of dilutive securities:			
OP Units	13,827	13,576	13,718
Long-term compensation shares/units	3,163	3,546	2,836
Denominator for net income per share – diluted	381,992	380,620	377,735
Net income per share – basic	\$11.75	\$2.37	\$1.74
Net income per share – diluted	\$11.68	\$2.36	\$1.73
Net income per share – basic:			
Income from continuing operations available to Common Shares, net of Noncontrolling Interests	\$11.75	\$2.37	\$1.73
Discontinued operations, net of Noncontrolling Interests	—	—	0.01
Net income per share – basic	\$11.75	\$2.37	\$1.74
Net income per share – diluted:			
Income from continuing operations available to Common Shares	\$11.68	\$2.36	\$1.72
Discontinued operations, net	—	—	0.01
Net income per share – diluted	\$11.68	\$2.36	\$1.73

Note: For additional disclosures regarding the employee share options and restricted shares, see Notes 2 and 12.

ERP Operating Limited Partnership

The following tables set forth the computation of net income per Unit – basic and net income per Unit – diluted for the Operating Partnership (amounts in thousands except per Unit amounts):

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	Year Ended December 31,		
	2016	2015	2014
Numerator for net income per Unit – basic and diluted:			
Income from continuing operations	\$4,479,586	\$907,621	\$657,101
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(16,430)	(3,657)	(2,544)
Allocation to Preference Units	(3,091)	(3,357)	(4,145)
Allocation to premium on redemption of Preference Units	—	(3,486)	—
Income from continuing operations available to Units	4,460,065	897,121	650,412
Discontinued operations, net	518	397	1,582
Numerator for net income per Unit – basic and diluted	\$4,460,583	\$897,518	\$651,994
Denominator for net income per Unit – basic and diluted:			
Denominator for net income per Unit – basic	378,829	377,074	374,899
Effect of dilutive securities:			
Dilution for Units issuable upon assumed exercise/vesting of the Company's long-term compensation shares/units	3,163	3,546	2,836
Denominator for net income per Unit – diluted	381,992	380,620	377,735
Net income per Unit – basic	\$11.75	\$2.37	\$1.74
Net income per Unit – diluted	\$11.68	\$2.36	\$1.73
Net income per Unit – basic:			
Income from continuing operations available to Units	\$11.75	\$2.37	\$1.73
Discontinued operations, net	—	—	0.01
Net income per Unit – basic	\$11.75	\$2.37	\$1.74
Net income per Unit – diluted:			
Income from continuing operations available to Units	\$11.68	\$2.36	\$1.72
Discontinued operations, net	—	—	0.01
Net income per Unit – diluted	\$11.68	\$2.36	\$1.73

Note: For additional disclosures regarding the employee share options and restricted shares, see Notes 2 and 12.

11. Individually Significant Dispositions and Discontinued Operations

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

Individually Significant Dispositions

The Company concluded that the Starwood Transaction does not qualify for discontinued operations reporting as it does not represent a strategic shift that will have 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. However, the Company concluded that the Starwood Transaction does 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 17) of the Starwood Portfolio represents approximately 1.2% (for the approximate one-month period owned in 2016), 15.7% and 15.4%, respectively, of consolidated NOI for the Company for the years ended December 31, 2016, 2015 and 2014. In addition, the Starwood Transaction met the held for sale criteria at December 31, 2015 and was classified as held for sale in the accompanying consolidated balance sheets at December 31, 2015 (see Note 4 for further discussion). In accordance with this classification, the Company ceased

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depreciation on all assets in the Starwood Portfolio as of November 1, 2015. As a result, the following table summarizes the results of operations attributable to the Starwood Transaction for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

	Year Ended December 31,			
	2016	2015	2014	
REVENUES				
Rental income	\$30,785	\$427,433	\$401,134	
Total revenues	30,785	427,433	401,134	
EXPENSES (1)				
Property and maintenance	7,838	78,189	76,579	
Real estate taxes and insurance	2,912	48,403	46,416	
Property management	2	11	11	
General and administrative	23	38	24	
Depreciation	—	87,616	104,104	
Total expenses	10,775	214,257	227,134	
Operating income	20,010	213,176	174,000	
Interest and other income	21	1	1	
Other expenses	—	(35) (1)
Interest (2):				
Expense incurred, net	(380) (680) (701)
Amortization of deferred financing costs	(707) (559) (98)
Income and other tax (expense) benefit	(1) (1) (3)
Net gain on sales of real estate properties	3,161,097	—	—	
Income from operations	3,180,040	211,902	173,198	
Income from operations attributable to Noncontrolling Interests – Partially Owned Properties	—	—	(14)
Income from operations attributable to controlling interests – Operating Partnership	3,180,040	211,902	173,184	
Income from operations attributable to Noncontrolling Interests – Operating Partnership	(122,152) (8,083) (6,598)
Income from operations attributable to controlling interests – Company	\$3,057,888	\$203,819	\$166,586	

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

(2) Includes only interest expense specific to secured mortgage notes payable for properties held for sale which was repaid at or before closing.

Discontinued Operations

The Company has presented separately as discontinued operations in all periods the results of operations for all consolidated assets disposed of and all properties held for sale, if any, for properties sold in 2013 and prior years. The amounts included in discontinued operations for the years ended December 31, 2016, 2015 and 2014 represent trailing activity for properties sold in 2013 and prior years. None of the properties sold during the years ended December 31, 2016, 2015 and 2014 met the new criteria for reporting discontinued operations.

The components of discontinued operations are outlined below and include the results of operations for the respective periods that the Company owned such assets for properties sold in 2013 and prior years during each of the years ended

December 31, 2016, 2015 and 2014 (amounts in thousands).

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	Year Ended December 31,		
	2016	2015	2014
REVENUES			
Rental income	\$355	\$499	\$1,309
Total revenues	355	499	1,309
EXPENSES (1)			
Property and maintenance	(46)	(60)	(141)
Real estate taxes and insurance	(461)	65	267
General and administrative	119	85	89
Total expenses	(388)	90	215
Discontinued operating income	743	409	1,094
Interest and other income	24	3	317
Other expenses	(280)	—	—
Income and other tax (expense) benefit	(12)	(15)	(8)
Discontinued operations	475	397	1,403
Net gain on sales of discontinued operations	43	—	179
Discontinued operations, net	\$518	\$397	\$1,582

(1) Includes expenses paid in the current period for properties sold in prior periods related to the Company's period of ownership.

11.

12. Share Incentive Plans

Any Common Shares issued pursuant to EQR's incentive equity compensation and employee share purchase plans will result in ERPOP issuing OP Units to EQR on a one-for-one basis with ERPOP receiving the net cash proceeds of such issuances.

On June 16, 2011, the shareholders of EQR approved the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan"). The 2011 Plan originally reserved 12,980,741 Common Shares for issuance, which was subsequently adjusted to 14,725,321 Common Shares in accordance with the provisions of the 2011 Plan as a result of the option adjustments required for the special dividends paid in conjunction with the Starwood Transaction. In conjunction with the approval of the 2011 Plan, no further awards may be granted under the 2002 Share Incentive Plan. The 2011 Plan expires on June 16, 2021. As of December 31, 2016, 8,595,553 shares were available for future issuance.

Pursuant to the 2011 Plan and the 2002 Share Incentive Plan, as restated and amended (collectively the "Share Incentive Plans"), officers, trustees and key employees of the Company may be granted share options to acquire Common Shares ("Options") including non-qualified share options ("NQSOs"), incentive share options ("ISOs") and share appreciation rights ("SARs"), or may be granted restricted or non-restricted shares/units (including performance-based awards), subject to conditions and restrictions as described in the Share Incentive Plans. Options, SARs, restricted shares (including performance awards) and restricted units (including performance awards) are sometimes collectively referred to herein as "Awards".

The Options are generally granted at the fair market value of the Company's Common Shares at the date of grant, vest in three equal installments over a three-year period, are exercisable upon vesting and expire ten years from the date of grant (see additional valuation discussion in Note 2). The exercise price for all Options under the Share Incentive Plans is equal to the fair market value of the underlying Common Shares at the time the Option is granted. Options exercised result in new Common Shares being issued on the open market. The 2002 Share Incentive Plan, as restated and amended, will terminate at such time as all outstanding Awards have expired or have been exercised/vested. The Board of Trustees may at any time amend or terminate the Share Incentive Plans, but termination will not affect Awards previously granted. Any Options which had vested prior to such a termination would remain exercisable by the holder.

Restricted shares are generally granted at the fair market value of the Company's Common Shares at the date of grant. Restricted shares that have been awarded through December 31, 2016 generally vest three years from the award date. In addition, the Company's unvested restricted shareholders have the same voting rights as any other Common Share holder. During the three-year period of restriction, the Company's unvested restricted shareholders receive quarterly dividend payments on their shares at the same rate and on the same date as any other Common Share holder. As a result, dividends paid on unvested restricted shares

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are included as a component of retained earnings (included in general partner's capital in the Operating Partnership's financial statements) and have not been considered in reducing net income available to Common Shares/Units in a manner similar to the Company's preferred share/preference unit dividends for the earnings per share/Unit calculation. If employment is terminated prior to the lapsing of the restriction, the shares are generally canceled.

Restricted units are a class of partnership interests that under certain conditions, including vesting, are convertible by the holder into an equal number of OP Units, which are redeemable by the holder for Common Shares on a one-for-one basis or the cash value of such shares at the option of the Company. In connection with the grant of long-term incentive compensation for services provided during a year, officers of the Company are allowed to choose between restricted shares and restricted units. In January 2011, March 2014 and June 2015, certain holders of restricted shares converted these shares into restricted units. Similar to restricted shares, restricted units are generally granted at the fair market value of the Company's Common Shares at the date of grant and generally vest three years from the award date. In addition, restricted unit holders receive quarterly dividend payments on their restricted units at the same rate and on the same date as any other OP Unit holder. As a result, dividends paid on restricted units are included as a component of Noncontrolling Interests – Operating Partnership/Limited Partners' capital and have not been considered in reducing net income available to Common Shares/Units in a manner similar to the Company's preferred share/preference unit dividends for the earnings per share/Unit calculation. If employment is terminated prior to vesting, the restricted units are generally canceled. A restricted unit will automatically convert to an OP Unit when the capital account of each restricted unit increases (“books-up”) to a specified target. If the capital target is not attained within ten years following the date of issuance, the restricted unit will automatically be canceled and no compensation will be payable to the holder of such canceled restricted unit.

In January 2015, the Company revised its executive compensation program for the Chairman, Chief Executive Officer and certain other Executive Officers. The long-term portion of the revised program will allow these individuals to earn from 0% to 200% of the target number of performance awards, payable in the form of restricted shares and/or restricted units, as determined by the Company's relative and absolute Total Shareholder Return (“TSR”) over a forward-looking three-year performance period. The Company's TSR will be compared to pre-established quantitative performance metrics. In connection with the grant of long-term incentive compensation, the individuals are allowed to choose between restricted shares and restricted units. The grant date fair value of the awards is estimated using a Monte Carlo model, and the resulting expense is recorded regardless of whether the TSR performance measures are achieved, if the required service is delivered. These awards generally vest three years from the award date. The grant date fair value is amortized into expense over the service period. If the executive is retirement-eligible, the grant date fair value is amortized into expense over the first year. All other awards are amortized into expense over the three year performance/vesting period. In addition, the awards granted as restricted units will receive quarterly partial dividend payments equal to 10% of any common share dividend on the same date as any other OP Unit holder during the three-year performance period. As a result, dividends paid on restricted units are included as a component of Noncontrolling Interests – Operating Partnership/Limited Partners' capital and have not been considered in reducing net income available to Common Shares/Units in a manner similar to the Company's preferred share/preference unit dividends for the earnings per share/Unit calculation. The awards granted as restricted shares will not receive dividends during the three-year performance period. At the end of the three-year performance period, cumulative dividends will be paid for the three-year performance period for any restricted shares or restricted units actually earned, less any dividends already paid on the restricted units. If employment is terminated prior to vesting, the restricted shares and restricted units are generally canceled. Once the Company's absolute and relative TSR is calculated at the end of the three-year performance period, the executive will earn a certain number of restricted shares and/or restricted units. No payout would be made for any return below 50% of the target performance metric.

All Trustees, with the exception of the Company's non-executive Chairman and employee Trustees, are granted options, restricted shares and/or restricted units that vest one-year from the grant date that corresponds to the term for

which he or she has been elected to serve. The non-executive Chairman's grants vest over the same term or period as all other employees.

The Company's Share Incentive Plans provide for certain benefits upon retirement. For employees hired prior to January 1, 2009, retirement generally means the termination of employment (other than for cause): (i) on or after age 62; or (ii) prior to age 62 after meeting the requirements of the Rule of 70 (described below). For employees hired after January 1, 2009, retirement generally means the termination of employment (other than for cause) after meeting the requirements of the Rule of 70. For Trustees, retirement generally means termination of service on the Board (other than for cause) on or after age 72.

The Rule of 70 is met when an employee's years of service with the Company (which must be at least 15 years) plus his or her age (which must be at least 55 years) on the date of termination equals or exceeds 70 years. In addition, the employee must give the Company at least 6 months' advance written notice of his or her intention to retire and sign a release upon termination of employment, releasing the Company from customary claims and agreeing to ongoing non-competition and employee non-solicitation provisions.

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Under the Company's definitions of retirement, several of its executive officers, including its Chief Executive Officer, and its non-executive Chairman, are retirement eligible.

For employees hired prior to January 1, 2009 who retire at or after age 62 (or for Trustees who retire at or after age 72), such employee's or Trustee's unvested restricted shares, restricted units and share options would immediately vest, and share options would continue to be exercisable for the balance of the applicable ten-year option period, as is provided under the Share Incentive Plans. For all other employees (those hired after January 1, 2009 and those hired before such date who choose to retire prior to age 62), upon such retirement under the Rule of 70 definition of retirement of employees, such employee's unvested restricted shares, restricted units and share options would continue to vest per the original vesting schedule (subject to immediate vesting upon the occurrence of a subsequent change in control of the Company or the employee's death), and options would continue to be exercisable for the balance of the applicable ten-year option period, subject to the employee's compliance with the non-competition and employee non-solicitation provisions. The Rule of 70 does not apply to Trustees. For the individuals mentioned above who receive awards under the executive compensation program and retire at or after age 62 (age 72 for the Chairman of the Board) or under the Rule of 70, the award would be prorated in proportion to the number of days worked in the first year of the three-year performance period and the award would continue to vest per the original vesting schedule, subject to the individual's compliance with the non-competition and employee non-solicitation provisions. The individual would not receive any payout of shares or units until the final payout is determined at the end of the three-year performance period. If an employee violates the non-competition and employee non-solicitation provisions after such retirement, all unvested restricted shares, unvested restricted units and unvested and vested share options at the time of the violation would be void, unless otherwise determined by the Compensation Committee of the Board of Trustees.

The following tables summarize compensation information regarding the restricted shares, restricted units, share options and Employee Share Purchase Plan ("ESPP") for the three years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

	Year Ended December 31, 2016				
	Compensation Expense	Compensation Capitalized	Restricted Units In-Lieu of Bonus (1)	Compensation Equity	Dividends Incurred
Restricted shares (2)	\$ 13,539	\$ 1,477	\$ —	\$ 15,016	\$ 6,494
Restricted units (2)	13,567	591	4,022	18,180	7,762
Share options	2,839	593	—	3,432	—
ESPP discount	585	65	—	650	—
Total	\$ 30,530	\$ 2,726	\$ 4,022	\$ 37,278	\$ 14,256

	Year Ended December 31, 2015				
	Compensation Expense	Compensation Capitalized	Restricted Units In-Lieu of Bonus (1)	Compensation Equity	Dividends Incurred
Restricted shares (2)	\$ 13,755	\$ 1,311	\$ —	\$ 15,066	\$ 1,160
Restricted units (2)	17,311	538	3,654	21,503	1,619
Share options	2,746	1,010	—	3,756	—
ESPP discount	795	89	—	884	—

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Total	\$34,607	\$ 2,948	\$ 3,654	\$ 41,209	\$ 2,779
Year Ended December 31, 2014					
	Compensation		Compensation	Dividends	
	Expense	Capitalized	Equity	Incurred	
Restricted shares	\$9,244	\$ 660	\$ 9,904	\$ 1,012	
Restricted units	11,049	920	11,969	1,248	
Share options	6,453	896	7,349	—	
ESPP discount	797	62	859	—	
Total	\$27,543	\$ 2,538	\$ 30,081	\$ 2,260	

(1) Beginning in 2015, the Company allows officers the ability to receive immediately vested restricted units (subject to the book-up provisions and two-year hold restriction) in-lieu of any percentage of their annual cash bonus.

(2) Includes performance awards granted under the executive compensation program.

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Compensation expense is generally recognized for Awards as follows:

- Restricted shares, restricted units and share options – Straight-line method over the vesting period of the options, shares or units regardless of cliff or ratable vesting distinctions.

- Performance awards – Target amount is recognized under the straight-line method over the vesting period of the shares or units regardless of cliff or ratable vesting distinctions.

- ESPP discount – Immediately upon the purchase of common shares each quarter.

The Company accelerates the recognition of compensation expense for all Awards for those individuals approaching or meeting the retirement age criteria discussed above. The total compensation expense related to Awards not yet vested at December 31, 2016 is \$8.6 million (excluding the accelerated expenses for individuals approaching or meeting the retirement age criteria discussed above), which is expected to be recognized over a weighted average term of 1.31 years.

See Note 2 for additional information regarding the Company's share-based compensation.

The table below summarizes the Award activity of the Share Incentive Plans for the three years ended December 31, 2016, 2015 and 2014:

	Common Shares Subject to Options	Weighted Average Exercise Price per Option	Restricted Shares	Weighted Average Fair Value per Restricted Share	Restricted Units	Weighted Average Fair Value per Restricted Unit
Balance at December 31, 2013	8,470,532	\$43.67	500,234	\$55.79	471,256	\$55.67
Awards granted (1)	667,877	\$56.72	176,457	\$56.56	201,507	\$53.82
Awards exercised/vested (2) (3) (4)	(2,086,380)	\$39.34	(175,344)	\$53.44	(60,294)	\$53.71
Awards forfeited	(19,022)	\$56.32	(6,735)	\$56.57	(667)	\$52.08
Awards expired	(2,387)	\$55.24	—	—	—	—
Conversion of restricted shares to restricted units	—	—	(12,146)	—	12,146	—
Balance at December 31, 2014	7,030,620	\$46.16	482,466	\$56.89	623,948	\$53.38
Awards granted (1) (5)	171,150	\$80.15	174,112	\$79.65	337,505	\$81.87
Awards exercised/vested (2) (3) (4)	(1,456,363)	\$42.64	(127,174)	\$60.21	(72,003)	\$57.12
Awards forfeited	(9,550)	\$64.53	(5,970)	\$62.11	(2,009)	\$64.39
Awards expired	(1,492)	\$39.86	—	—	—	—
Conversion of restricted shares to restricted units	—	—	(1,284)	—	1,284	—
Balance at December 31, 2015	5,734,365	\$48.04	522,150	\$63.67	888,725	\$63.91
Awards granted (1) (5)	154,016	\$64.99	154,296	\$75.19	289,273	\$81.05
Awards exercised/vested (2) (3) (4)	(815,044)	\$38.01	(217,805)	\$57.75	(374,217)	\$52.73
Awards forfeited	(10,512)	\$63.43	(6,607)	\$70.73	(1,524)	\$86.35
Awards expired	(710)	\$68.40	—	—	—	—
Special dividend adjustment (6)	960,986	N/A	—	—	—	—
Balance at December 31, 2016	6,023,101	\$42.05	452,034	\$70.35	802,257	\$75.26

(1) The weighted average grant date fair value for Options granted during the years ended December 31, 2016, 2015 and 2014 was \$11.09 per share, \$13.67 per share and \$9.21 per share, respectively.

(2)

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The aggregate intrinsic value of options exercised during the years ended December 31, 2016, 2015 and 2014 was \$26.2 million, \$52.9 million and \$50.8 million, respectively. These values were calculated as the difference between the strike price of the underlying awards and the per share price at which each respective award was exercised.

(3) The fair value of restricted shares vested during the years ended December 31, 2016, 2015 and 2014 was \$15.6 million, \$10.2 million and \$10.2 million, respectively.

(4) The fair value of restricted units vested during the years ended December 31, 2016, 2015 and 2014 was \$27.2 million, \$5.8 million and \$3.4 million, respectively.

(5) Includes performance awards granted under the executive compensation program.

In addition to the regular quarterly dividends, the Company paid two special dividends to its shareholders and holders of OP Units of \$11.00 per share/unit in the aggregate in 2016. Option holders were not entitled to these
(6) special dividends, but pursuant to the terms of the Share Incentive Plans are due equitable adjustments of additional options. The special dividend adjustment's weighted average

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exercise price per option is reflected in the activity for 2016 for the awards granted, awards exercised/vested, and awards forfeited and the balance at December 31, 2016.

The following table summarizes information regarding options outstanding and exercisable at December 31, 2016:

Range of Exercise Prices	Options Outstanding (1)			Options Exercisable (2)	
	Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
\$19.67 to \$24.93	892,111	2.10	\$19.67	892,111	\$19.67
\$24.94 to \$37.39	930,884	2.54	\$29.42	930,884	\$29.42
\$37.40 to \$43.62	2,412	3.83	\$41.44	2,412	\$41.44
\$43.63 to \$49.86	2,715,880	5.50	\$46.59	2,515,401	\$46.47
\$49.87 to \$56.09	1,114,654	5.16	\$51.30	1,114,654	\$51.30
\$56.10 to \$62.32	2,761	8.48	\$60.80	2,761	\$60.80
\$62.33 to \$68.55	364,399	8.57	\$66.77	152,454	67.27
\$19.67 to \$68.55	6,023,101	4.66	\$42.05	5,610,677	\$40.91
Vested and expected to vest as of December 31, 2016	6,003,870	4.55	\$41.97		

(1) The aggregate intrinsic value of options outstanding that are vested and expected to vest as of December 31, 2016 is \$135.3 million.

(2) The aggregate intrinsic value and weighted average remaining contractual life in years of options exercisable as of December 31, 2016 is \$132.0 million and 4.4 years, respectively.

Note: The aggregate intrinsic values in Notes (1) and (2) above were both calculated as the excess, if any, between the Company's closing share price of \$64.36 per share on December 31, 2016 and the strike price of the underlying awards.

As of December 31, 2015 and 2014, 4,436,990 Options (with a weighted average exercise price of \$45.11) and 5,011,784 Options (with a weighted average exercise price of \$42.18) were exercisable, respectively.

13. Employee Plans

The Company established an Employee Share Purchase Plan to provide each employee and trustee the ability to annually acquire up to \$100,000 of Common Shares of EQR. The Company registered 7,000,000 Common Shares under the ESPP, of which 2,906,163 Common Shares remained available for purchase at December 31, 2016. The Common Shares may be purchased quarterly at a price equal to 85% of the lesser of: (a) the closing price for a share on the last day of such quarter; and (b) the greater of: (i) the closing price for a share on the first day of such quarter, and (ii) the average closing price for a share for all the business days in the quarter. The following table summarizes information regarding the Common Shares issued under the ESPP (the net proceeds noted below were contributed to ERPOP in exchange for OP Units):

	Year Ended December 31,		
	2016	2015	2014
	(Amounts in thousands except share and per share amounts)		
Shares issued	63,909	68,462	68,807
Issuance price ranges	\$51.85 – \$63.37	\$63.70 – \$65.90	\$45.90 – \$55.95
Issuance proceeds	\$3,686	\$4,404	\$3,392

The Company established a defined contribution plan (the “401(k) Plan”) to provide retirement benefits for employees that meet minimum employment criteria. Prior to 2014, the Company matched dollar for dollar up to the first 3% of eligible compensation that a participant contributed to the 401(k) Plan. Beginning January 1, 2014, the Company increased its match to 4% of eligible compensation that a participant contributes to the 401(k) Plan for all employees except those defined as highly compensated employees, whose match remains at 3%. Participants are vested in the Company’s contributions over five years. The Company recognized an expense in the amount of \$4.9 million, \$5.5 million and \$5.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company established the SERP to provide certain officers and trustees an opportunity to defer a portion of their eligible compensation in order to save for retirement. The SERP is restricted to investments in Common Shares, certain marketable securities that have been specifically approved and cash equivalents. The deferred compensation liability represented in the SERP

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and the securities issued to fund such deferred compensation liability are consolidated by the Company and carried on the Company's balance sheet, and the Company's Common Shares held in the SERP are accounted for as a reduction to paid in capital (included in general partner's capital in the Operating Partnership's financial statements).

14. Distribution Reinvestment Plan

On November 18, 2011, the Company filed with the SEC a Form S-3 Registration Statement to register 4,850,000 Common Shares pursuant to a Distribution Reinvestment and Share Purchase Plan (the "2011 DRIP"), which included the remaining shares available for issuance under a 2008 registration, which terminated as of such date. The registration statement was automatically declared effective the same day and was to expire at the earlier of the date on which all 4,850,000 shares had been issued or November 18, 2014. On September 30, 2014, the Company filed with the SEC a Form S-3 Registration Statement to register 4,790,000 Common Shares under an amended Distribution Reinvestment Plan (the "2014 DRIP"), which included the remaining shares available for issuance under the 2011 DRIP, which terminated as of such date. The registration was automatically declared effective the same day and will expire when all 4,790,000 shares have been issued. The Company has 4,704,608 Common Shares available for issuance under the 2014 DRIP at December 31, 2016.

The 2014 DRIP provides holders of record and beneficial owners of Common Shares and Preferred Shares with a simple and convenient method of reinvesting cash dividends/distributions in additional Common Shares. Common Shares purchased under the 2014 DRIP may, at the option of EQR, be directly issued by EQR or purchased by EQR's transfer agent in the open market using participants' funds. The net proceeds from any Common Share issuances are contributed to ERPOP in exchange for OP Units.

15. Transactions with Related Parties

The Company leases its corporate headquarters from an entity controlled by EQR's Chairman of the Board of Trustees. The lease terminates on January 31, 2022. Amounts incurred for such office space for the years ended December 31, 2016, 2015 and 2014, respectively, were approximately \$2.7 million, \$2.6 million and \$2.5 million. The Company believes these amounts equal market rates for such rental space.

16. 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. During the year ended December 31, 2016, the Company recorded an environmental reserve of \$4.7 million related to vacant land that it owns adjacent to one of its operating properties.

The Company was party to a housing discrimination lawsuit brought by a non-profit civil rights organization in April 2006 in the U.S. District Court for the District of Maryland. The suit alleged that the Company designed and built many of its properties in violation of the accessibility requirements of the Fair Housing Act ("FHA") and Americans With Disabilities Act ("ADA"). The suit sought actual and punitive damages, injunctive relief (including modification of non-compliant properties), costs and attorneys' fees. On March 31, 2016, the Court found that certain features at seven of the Company's properties did not satisfy the accessibility requirements of the FHA. During the fourth quarter of 2016, the Company settled the lawsuit for \$3.1 million, net of insurance recoveries already received, which was recorded as other expenses in the consolidated statements of operations and comprehensive income. The Company also agreed to undertake the remediation of certain inaccessible features at a limited number of 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. During the year ended December 31, 2016, the Company settled one matter, paying approximately \$1.5 million, and recorded a reduction to the reserve of approximately \$0.5 million, resulting in a total reserve of approximately \$1.0 million at December 31, 2016. 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 December 31, 2016, the Company has six wholly owned projects totaling 2,064 apartment units in various stages of development with commitments to fund of approximately \$260.6 million and estimated completion dates ranging through

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December 31, 2018, as well as other completed development projects that are in various stages of lease up or are stabilized.

As of December 31, 2016, the Company has two completed unconsolidated development properties that are stabilized. Both properties were co-developed with the same third party development partner in different ventures. The development venture agreements with this partner are primarily deal-specific regarding profit-sharing, equity contributions, returns on investment, buy-sell agreements and other customary provisions. The Company currently has no further funding obligations related to these properties. While the Company is the managing member of both of the joint ventures, was responsible for constructing both of the properties and gave certain construction cost overrun guarantees, the joint venture partner has significant participating rights and has active involvement in and oversight of the ongoing operations. 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 (including at stabilization) described in the development venture agreements. See Note 6 for further discussion.

During the years ended December 31, 2016, 2015 and 2014, total operating lease expense for ground leases and office space, including a portion of real estate taxes, insurance, repairs and utilities, aggregated \$26.2 million, \$24.5 million and \$21.2 million, respectively.

The Company has entered into a retirement benefits agreement with its Chairman of the Board of Trustees and deferred compensation agreements with its Vice Chairman and one former chief executive officer. During the years ended December 31, 2016, 2015 and 2014, the Company recognized compensation expense of \$0.3 million, \$0.4 million and \$0.5 million, respectively, related to these agreements.

The following table summarizes the Company's contractual obligations for minimum rent payments under operating leases and deferred compensation for the next five years and thereafter as of December 31, 2016:

(Payments)/Receipts Due by Year (in thousands)

	2017	2018	2019	2020	2021	Thereafter	Total
Operating Leases:							
Minimum Rent Payments (a)	\$(15,917)	\$(16,027)	\$(15,890)	\$(15,489)	\$(15,256)	\$(826,259)	\$(904,838)
Minimum Rent Receipts (b)	73,171	60,004	54,486	50,705	46,634	211,853	496,853
Other Long-Term Liabilities:							
Deferred Compensation (c)	(1,387)	(1,723)	(1,128)	(1,079)	(1,079)	(4,383)	(10,779)

(a) Minimum basic rent due for various office space the Company leases and fixed base rent due on ground leases for 11 properties.

(b) Minimum basic rent receipts due for various retail/commercial space where the Company is the lessor.

(c) Estimated payments to the Company's Chairman, Vice Chairman and one former CEO based on actual and planned retirement dates.

17. 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. As of January 1, 2016, the Company has revised the presentation of Southern California to show separate results for Los Angeles, San Diego and Orange County, along with a subtotal of the three markets combined, for both the current and comparable periods. The Company's operating segments located in its other markets (Phoenix) that are not material have been included in the tables presented below. See also Note 4 for further discussion of the Starwood Transaction and the operating segments/locations in which properties were sold.

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.

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All revenues are from external customers and there is no customer who contributed 10% or more of the Company's total revenues during the three years ended December 31, 2016, 2015 or 2014.

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). As of January 1, 2016, NOI no longer includes an allocation of property management expenses either in the current or comparable periods. 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 table presents a reconciliation of NOI from our rental real estate specific to continuing operations for the years ended December 31, 2016, 2015 and 2014, respectively (amounts in thousands):

	Year Ended December 31,		
	2016	2015	2014
Rental income	\$2,422,233	\$2,736,578	\$2,605,311
Property and maintenance expense	(406,823)	(479,160)	(473,098)
Real estate taxes and insurance expense	(317,387)	(339,802)	(325,401)
Total operating expenses	(724,210)	(818,962)	(798,499)
Net operating income	\$1,698,023	\$1,917,616	\$1,806,812

The following tables present NOI for each segment from our rental real estate specific to continuing operations for the years ended December 31, 2016, 2015 and 2014, respectively, as well as total assets and capital expenditures at December 31, 2016 and 2015, respectively (amounts in thousands):

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Rental Income	Operating Expenses	NOI	Rental Income	Operating Expenses	NOI	Rental Income	Operating Expenses	NOI
Same store (1)									
Los Angeles	\$368,734	\$107,138	\$261,596	\$349,285	\$104,614	\$244,671	\$259,437	\$81,972	\$177,465
San Diego	88,049	23,489	64,560	83,491	22,938	60,553	79,217	22,605	56,612
Orange County	79,602	18,931	60,671	75,068	18,550	56,518	71,440	18,211	53,229
Subtotal - Southern California	536,385	149,558	386,827	507,844	146,102	361,742	410,094	122,788	287,306
New York	457,882	160,772	297,110	450,460	152,682	297,778	455,598	156,881	298,717
Washington D.C.	424,055	126,154	297,901	417,985	123,450	294,535	451,973	131,964	320,009
San Francisco	365,019	88,141	276,878	343,089	84,603	258,486	340,252	96,217	244,035
Boston	237,683	66,283	171,400	232,462	67,252	165,210	244,612	70,070	174,542
Seattle	154,482	42,644	111,838	145,646	39,307	106,339	153,197	45,781	107,416
Other Markets	1,798	568	1,230	1,680	528	1,152	385,664	120,395	265,269
Total same store	2,177,304	634,120	1,543,184	2,099,166	613,924	1,485,242	2,441,390	744,096	1,697,294

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Non-same store/other (2) (3)									
Non-same store	163,768	56,403	107,365	72,123	27,078	45,045	83,715	28,992	54,723
Other (3)	81,161	33,687	47,474	565,289	177,960	387,329	80,206	25,411	54,795
Total non-same store/other	244,929	90,090	154,839	637,412	205,038	432,374	163,921	54,403	109,518

Totals \$2,422,233 \$724,210 \$1,698,023 \$2,736,578 \$818,962 \$1,917,616 \$2,605,311 \$798,499 \$1,806,812

For the years ended December 31, 2016 and 2015, same store primarily includes all properties acquired or completed that are stabilized prior to January 1, 2015, less properties subsequently sold, which represented 69,879 (1) apartment units. For the year ended December 31, 2014, same store primarily includes all properties acquired or completed that are stabilized prior to January 1, 2014, less properties subsequently sold, which represented 96,286 apartment units.

For the years ended December 31, 2016 and 2015, non-same store primarily includes properties acquired after (2) January 1, 2015, plus any properties in lease-up and not stabilized as of January 1, 2015. For the year ended December 31, 2014, non-same store primarily

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includes properties acquired after January 1, 2014, plus any properties in lease-up and not stabilized as of January 1, 2014.

(3) Other includes development, other corporate operations and operations prior to sale for properties sold in 2014 through 2016 that do not meet the new discontinued operations criteria.

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Total Assets	Capital Expenditures	Total Assets	Capital Expenditures
Same store (1)				
Los Angeles	\$2,513,979	\$ 26,195	\$2,586,859	\$ 22,015
San Diego	471,937	5,172	488,260	4,608
Orange County	260,918	6,747	268,479	7,336
Subtotal - Southern California	3,246,834	38,114	3,343,598	33,959
New York	4,275,930	25,329	4,383,354	18,170
Washington D.C.	3,916,264	33,867	4,023,474	33,455
San Francisco	2,441,256	24,411	2,506,004	25,104
Boston	1,723,942	20,936	1,774,181	17,355
Seattle	1,031,764	13,464	1,061,351	9,106
Other Markets	12,902	67	13,162	182
Total same store	16,648,892	156,188	17,105,124	137,331
Non-same store/other (2) (3)				
Non-same store	2,864,250	12,179	2,441,637	6,341
Other (3)	1,191,006	3,810	3,563,435	38,441
Total non-same store/other	4,055,256	15,989	6,005,072	44,782
Totals	\$20,704,148	\$ 172,177	\$23,110,196	\$ 182,113

(1) Same store primarily includes all properties acquired or completed that are stabilized prior to January 1, 2015, less properties subsequently sold, which represented 69,879 apartment units.

(2) Non-same store primarily includes properties acquired after January 1, 2015, plus any properties in lease-up and not stabilized as of January 1, 2015.

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

18. Subsequent Events/Other

Subsequent Events

There have been no material subsequent events occurring since December 31, 2016.

Other

During the year ended December 31, 2014, the Operating Partnership issued the 3.00% Series P Cumulative Redeemable Preference Units with a liquidation value of approximately \$18.4 million in conjunction with the buyout of its partner's 95% interest in a previously unconsolidated development property. The Series P Preference Units were classified as a liability due in part to the fact that the holder could put the units back to the Operating Partnership for cash. Dividends were paid quarterly on the Series P Preference Units. During the year ended December 31, 2016, the Company purchased all of the issued and outstanding Series P Preference Units at a par value of \$18.4 million and

retired these units in conjunction with the purchase. In conjunction with this transaction, the Company reduced other liabilities by \$18.4 million.

During the year ended December 31, 2016, the Company sold its entire interest in the management contracts and related rights associated with the military housing ventures at Joint Base Lewis McChord consisting of 5,161 apartment units for approximately \$63.3 million and recognized a gain on sale of approximately \$52.4 million, which is included in interest and other income in the accompanying consolidated statements of operations and comprehensive income.

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During the years ended December 31, 2016, 2015 and 2014, the Company incurred charges of \$1.5 million, \$1.0 million and \$0.4 million, respectively, related to property acquisition costs, such as survey, title and legal fees, on the acquisition of operating properties and \$4.1 million, \$3.2 million and \$3.6 million, respectively, related to the write-off of various pursuit and out-of-pocket costs for terminated acquisition, disposition and development transactions. These costs, totaling \$5.6 million, \$4.2 million and \$4.0 million, respectively, are included in other expenses in the accompanying consolidated statements of operations and comprehensive income.

During the years ended December 31, 2016, 2015 and 2014 the Company received \$3.2 million, \$6.0 million and \$2.8 million, respectively, for the settlement of various litigation/insurance claims, which are included in interest and other income in the accompanying consolidated statements of operations and comprehensive income.

19. Quarterly Financial Data (Unaudited)

Equity Residential

The following unaudited quarterly data has been prepared on the basis of a December 31 year-end. Amounts are in thousands, except for per share amounts.

	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
2016				
Total revenues	\$619,083	\$595,154	\$606,074	\$605,489
Operating income	216,625	206,018	209,373	224,070
Income from continuing operations	3,731,988	228,365	217,246	301,987
Discontinued operations, net	(157)	35	246	394
Net income *	3,731,831	228,400	217,492	302,381
Net income available to Common Shares	3,586,985	218,067	207,543	276,477
Earnings per share – basic:				
Net income available to Common Shares	\$9.84	\$0.60	\$0.57	\$0.76
Weighted average Common Shares outstanding	364,592	365,047	365,109	365,256
Earnings per share – diluted:				
Net income available to Common Shares	\$9.76	\$0.59	\$0.56	\$0.75
Weighted average Common Shares outstanding	382,243	382,065	382,373	381,860
	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
2015				
Total revenues	\$666,371	\$679,112	\$696,289	\$703,193
Operating income	218,331	246,255	257,594	287,058
Income from continuing operations	190,069	298,504	205,375	213,673
Discontinued operations, net	155	114	81	47
Net income *	190,224	298,618	205,456	213,720
Net income available to Common Shares	178,842	285,587	195,859	202,989
Earnings per share – basic:				
Net income available to Common Shares	\$0.49	\$0.79	\$0.54	\$0.56
Weighted average Common Shares outstanding	363,098	363,476	363,579	363,828
Earnings per share – diluted:				
Net income available to Common Shares	\$0.49	\$0.78	\$0.53	\$0.55
Weighted average Common Shares outstanding	380,327	380,491	380,663	381,220

* The Company did not have any extraordinary items or cumulative effect of change in accounting principle during the years ended December 31, 2016 and 2015. Therefore, income before extraordinary items and cumulative effect of change in accounting principle is not shown as it was equal to the net income amounts disclosed above.

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ERP Operating Limited Partnership

The following unaudited quarterly data has been prepared on the basis of a December 31 year-end. Amounts are in thousands, except for per Unit amounts.

	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
2016				
Total revenues	\$619,083	\$595,154	\$606,074	\$605,489
Operating income	216,625	206,018	209,373	224,070
Income from continuing operations	3,731,988	228,365	217,246	301,987
Discontinued operations, net	(157)	35	246	394
Net income *	3,731,831	228,400	217,492	302,381
Net income available to Units	3,730,294	226,847	215,896	287,546
Earnings per Unit – basic:				
Net income available to Units	\$9.84	\$0.60	\$0.57	\$0.76
Weighted average Units outstanding	378,289	378,934	379,008	379,081
Earnings per Unit – diluted:				
Net income available to Units	\$9.76	\$0.59	\$0.56	\$0.75
Weighted average Units outstanding	382,243	382,065	382,373	381,860

	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
2015				
Total revenues	\$666,371	\$679,112	\$696,289	\$703,193
Operating income	218,331	246,255	257,594	287,058
Income from continuing operations	190,069	298,504	205,375	213,673
Discontinued operations, net	155	114	81	47
Net income *	190,224	298,618	205,456	213,720
Net income available to Units	185,901	296,941	203,637	211,039
Earnings per Unit – basic:				
Net income available to Units	\$0.49	\$0.79	\$0.54	\$0.56
Weighted average Units outstanding	376,696	377,063	377,147	377,380
Earnings per Unit – diluted:				
Net income available to Units	\$0.49	\$0.78	\$0.53	\$0.55
Weighted average Units outstanding	380,327	380,491	380,663	381,220

* The Operating Partnership did not have any extraordinary items or cumulative effect of change in accounting principle during the years ended December 31, 2016 and 2015. Therefore, income before extraordinary items and cumulative effect of change in accounting principle is not shown as it was equal to the net income amounts disclosed above.

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
 Schedule III - Real Estate and Accumulated Depreciation
 Overall Summary
 December 31, 2016

	Properties (H)	Apartment Units (H)	Investment in Real Estate, Gross	Accumulated Depreciation	Investment in Real Estate, Net	Encumbrances (1)
Wholly Owned Unencumbered	204	52,102	\$18,448,319,778	\$(3,651,990,171)	\$14,796,329,607	\$—
Wholly Owned Encumbered	79	21,196	6,291,785,512	(1,497,361,379)	4,794,424,133	3,818,071,013
Wholly Owned Properties	283	73,298	24,740,105,290	(5,149,351,550)	19,590,753,740	3,818,071,013
Partially Owned Unencumbered	9	1,527	288,230,337	(98,826,978)	189,403,359	—
Partially Owned Encumbered	8	1,688	358,089,848	(112,210,888)	245,878,960	301,109,812
Partially Owned Properties	17	3,215	646,320,185	(211,037,866)	435,282,319	301,109,812
Total Unencumbered Properties	213	53,629	18,736,550,115	(3,750,817,149)	14,985,732,966	—
Total Encumbered Properties	87	22,884	6,649,875,360	(1,609,572,267)	5,040,303,093	4,119,180,825
Total Consolidated Investment in Real Estate	300	76,513	\$25,386,425,475	\$(5,360,389,416)	\$20,026,036,059	\$4,119,180,825

(1) See attached Encumbrances Reconciliation.

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
 Schedule III - Real Estate and Accumulated Depreciation
 Encumbrances Reconciliation
 December 31, 2016

Portfolio/Entity Encumbrances	Number of Properties Encumbered by	See Properties With Note:	Amount
EQR-Fanwell 2007 LP	4	I	\$299,795,866
EQR-Wellfan 2008 LP (R)	10	J	549,337,934
Archstone Master Property Holdings LLC	13	K	796,845,087
Portfolio/Entity Encumbrances	27		1,645,978,887
Individual Property Encumbrances			2,473,201,938
Total Encumbrances per Financial Statements			\$4,119,180,825

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
 Schedule III – Real Estate and Accumulated Depreciation
 (Amounts in thousands)

The changes in total real estate for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Balance, beginning of year	\$28,542,697	\$27,675,383	\$26,800,948
Acquisitions and development	832,803	964,645	1,121,423
Improvements	174,981	186,104	191,243
Dispositions and other	(4,164,056)	(283,435)	(438,231)
Balance, end of year (1)	\$25,386,425	\$28,542,697	\$27,675,383

The changes in accumulated depreciation for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Balance, beginning of year	\$6,084,616	\$5,432,805	\$4,807,709
Depreciation	705,649	765,895	758,861
Dispositions and other	(1,429,876)	(114,084)	(133,765)
Balance, end of year (1)	\$5,360,389	\$6,084,616	\$5,432,805

(1) Balances at December 31, 2015 include assets classified as real estate held for sale.

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
 Schedule III - Real Estate and Accumulated Depreciation
 December 31, 2016

Description		Initial Cost to Company			Cost Capitalized Subsequent to Acquisition of Period 12/31/16 (Improvements, net) (E)			Gross Amount Carried at End of Period 12/31/16 (Improvements, net) (E)
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Units (H)	Land	Building & Fixtures	Building & Land Fixtures	Building & Fixtures (A)
Wholly Owned Unencumbered:								
100 K Street	Washington, D.C.	—	(F)	—	\$ 15,600,000	\$ 10,782,320	\$—	\$ 15,600,000 \$ 10,782,320
140 Riverside Boulevard	New York, NY	G	2003	354	103,539,100	94,082,725	6,750,459	104,539,100 100,833,130
160 Riverside Boulevard	New York, NY	G	2001	455	139,933,500	190,964,745	12,789,975	139,933,500 203,744,920
170 Amsterdam	New York, NY	G	2015	236	—	111,872,438	60,750	— 111,933,188
175 Kent	Brooklyn, NY	G	2011	113	22,037,831	53,962,169	1,392,387	22,037,831 55,358,507
180 Montague (fka Brooklyn Heights)	Brooklyn, NY	G	2000	193	32,400,000	92,675,228	2,932,860	32,400,000 95,586,090
180 Riverside Boulevard	New York, NY	G	1998	516	144,968,250	138,346,681	11,344,268	144,968,250 149,690,887
1111 Belle Pre (fka The Madison)	Alexandria, VA	G	2014	360	18,937,702	94,758,679	101,859	18,937,702 94,860,529
1210 Mass	Washington, D.C.	G	2004	144	9,213,513	36,559,189	2,102,156	9,213,513 38,671,245
1401 E. Madison	Seattle, WA	—	(F)	—	10,401,958	4,932,954	—	10,401,958 4,932,954
1500 Mass Ave	Washington, D.C.	G	1951	556	54,638,298	40,361,702	14,505,681	54,638,298 54,867,503
1800 Oak (fka Rosslyn)	Arlington, VA	G	2003	314	31,400,000	109,005,734	2,999,587	31,400,000 112,005,321
2201 Pershing Drive	Arlington, VA	G	2012	188	11,321,198	49,674,175	2,103,031	11,321,198 51,777,211
2201 Wilson	Arlington, VA	G	2000	219	21,900,000	78,724,663	2,391,700	21,900,000 81,115,393

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2400 M St	Washington, D.C.	G	2006	359	30,006,593	114,013,785	4,081,076,593	118,095,861
315 on A	Boston, MA	G	2013	202	14,450,070	115,824,930	517,152,150,070	116,342,492
340 Fremont (fka Rincon Hill)	San Francisco, CA	—	2016	348	42,000,000	244,995,446	88 42,000,000	244,995,534
3003 Van Ness (fka Van Ness)	Washington, D.C.	—	1970	625	56,300,000	141,191,580	4,086,300,000	145,209,949
45 Worthington (CityView II)	Boston, MA	—	(F)	—	—	2,058,673	— —	2,058,673
420 East 80th Street	New York, NY	—	1961	155	39,277,000	23,026,984	4,259,297,000	27,279,582
425 Mass	Washington, D.C.	G	2009	559	28,150,000	138,600,000	3,748,450,000	142,340,413
455 Eye Street	Washington, D.C.	G	(F)	—	12,762,857	45,794,997	— 12,762,857	45,794,997
4885 Edgemoor Lane	Bethesda, MD	—	(F)	—	—	1,237,673	— —	1,237,673
4th and Hill	Los Angeles, CA	—	(F)	—	13,131,456	11,144,682	— 13,131,456	11,144,682
600 Washington	New York, NY	G	2004	135	32,852,000	43,140,551	73432,852,000	43,874,962
660 Washington (fka Boston Common)	Boston, MA	G	2006	420	106,100,000	166,311,679	2,321,042,100,000	168,637,107
70 Greene	Jersey City, NJ	G	2010	480	28,108,899	236,763,553	1,102,108,899	237,866,604
71 Broadway	New York, NY	G	1997	238	22,611,600	77,492,171	12,729,611,600	90,291,709
77 Bluxome	San Francisco, CA	—	2007	102	5,249,124	18,609,876	26455,249,124	18,874,378
77 Park Avenue (fka Hoboken)	Hoboken, NJ	G	2000	301	27,900,000	168,992,440	5,327,900,000	174,311,640
777 Sixth	New York, NY	G	2002	294	65,352,706	65,747,294	1,975,352,706	67,723,012
88 Hillside	Daly City, CA	G	2011	95	7,786,800	31,587,325	1,965,786,800	33,552,468
855 Brannan	San Francisco, CA	G	(F)	—	41,363,921	166,903,627	— 41,363,921	166,903,627
Acton Courtyard	Berkeley, CA	G	2003	71	5,550,000	15,785,509	19955,550,000	15,985,040
Alban Towers	Washington, D.C.	—	1934	229	18,900,000	89,794,201	1,712,890,000	91,507,098
Altitude (fka Village at Howard Hughes, The (Lots 1 & 2))	Los Angeles, CA	—	2016	545	43,783,485	147,918,661	25,744,783,485	147,944,405

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Alton, The (fka Millikan)	Irvine, CA	—	(F)	—	11,049,027	90,857,975	—	11,049,027	90,857,975
Arbor Terrace	Sunnyvale, CA	—	1979	175	9,057,300	18,483,642	4,162,540	9,057,300	22,645,782
Artech Building	Berkeley, CA	G	2002	27	1,642,000	9,152,518	329,262	1,642,000	9,481,810
Artisan on Second	Los Angeles, CA	—	2008	118	8,000,400	36,074,600	670,290	8,000,400	36,744,899
Artistry Emeryville (fka Emeryville)	Emeryville, CA	—	1994	261	12,300,000	61,466,267	2,272,600	12,300,000	63,743,901
Atelier	Brooklyn, NY	—	2015	120	32,401,680	47,135,432	90,852	32,401,680	47,226,286
Avenue Two	Redwood City, CA	—	1972	123	7,995,000	18,005,000	1,749,952	7,995,000	19,754,322
Azure (fka Mission Bay-Block 13)	San Francisco, CA	—	2015	273	32,855,115	152,254,155	26,492	32,855,115	152,280,649
Bay Hill	Long Beach, CA	—	2002	160	7,600,000	27,437,239	2,909,005	7,600,000	30,346,414
Beatrice, The	New York, NY	G	2010	302	114,351,405	165,648,595	1,000,445	114,351,405	166,648,735
Belle Arts Condominium Homes, LLC	Bellevue, WA	—	2000	1	63,158	248,928	(5,368)	63,158	243,608

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
 Schedule III - Real Estate and Accumulated Depreciation
 December 31, 2016

Description		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition (net) (E)		Gross Amount Carried at Close of Period 12/31/16 (Improvements, net) (E)			
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Units	Land	Building & Fixtures	Building & Fixtures	Land	Building & Fixtures (A)
Belle Fontaine	Marina Del Rey, CA	—	2003	102	9,098,808	28,701,192	683,777	9,098,808	29,384,969
Breakwater at Marina Del Rey	Marina Del Rey, CA	—	1964-1969	224	—	73,189,262	1,050,136	—	74,239,398
Briarwood (CA)	Sunnyvale, CA	—	1985	192	9,991,500	22,247,278	3,599,062	9,991,500	25,846,340
Bridford Lakes II	Greensboro, NC	—	(F)	—	1,100,564	792,508	—	1,100,564	792,508
Brooklyner, The (fka 111 Lawrence)	Brooklyn, NY	G	2010	490	40,099,922	221,438,631	1,827,017	40,099,922	223,265,641
C on Pico	Los Angeles, CA	—	2014	94	17,125,766	28,074,234	7,841	17,125,766	28,082,075
Cambridge Park	Cambridge, MA	G	2002	312	31,200,000	106,048,587	4,107,045	31,200,000	110,155,632
Carlyle Mill	Alexandria, VA	—	2002	317	10,000,000	51,367,913	7,872,672	10,000,000	59,240,585
Cascade Centennial (fka Centennial Court & Centennial Tower)	Seattle, WA	G	(F)	—	23,751,564	99,710,750	—	23,751,564	99,710,750
Centre Club Combined	Ontario, CA	—	1994 & 2002	412	7,436,000	33,014,789	7,413,964	7,436,000	40,428,753
Church Corner	Cambridge, MA	G	1987	85	5,220,000	16,744,643	2,266,923	5,220,000	19,011,566
City Gate at Cupertino	Cupertino, CA	—	1998	311	40,400,000	95,937,046	5,626,705	40,400,000	101,563,751

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(fka Cupertino)										
City Pointe	Fullerton, CA	G	2004	183	6,863,792	36,476,208	857,946	6,863,792	37,334,154	
City Square										
Bellevue (fka Bellevue)	Bellevue, WA	G	1998	191	15,100,000	41,876,257	3,126,524	15,100,000	45,002,781	
CityView at Longwood	Boston, MA	G	1970	295	14,704,898	79,195,102	10,574,412	14,704,898	89,769,514	
Clarendon, The	Arlington, VA	G	2005	292	30,400,340	103,824,660	2,143,113	30,400,340	105,967,773	
Cleo, The	Los Angeles, CA	—	1989	92	6,615,467	14,829,335	3,832,717	6,615,467	18,662,052	
Connecticut Heights	Washington, D.C.	—	1974	518	27,600,000	114,002,295	4,856,602	27,600,000	118,858,897	
Corcoran House at DuPont Circle (fka DuPont Circle)	Washington, D.C.	G	1961	138	13,500,000	26,913,113	1,796,515	13,500,000	28,709,628	
Courthouse Plaza	Arlington, VA	G	1990	396	—	87,386,024	4,635,703	—	92,021,727	
Creekside (San Mateo)	San Mateo, CA	—	1985	192	9,606,600	21,193,231	4,013,129	9,606,600	25,206,360	
Cronins Landing	Waltham, MA	G	1998	281	32,300,000	85,119,324	3,914,279	32,300,000	89,033,603	
Crystal Place	Arlington, VA	—	1986	181	17,200,000	47,918,975	3,157,515	17,200,000	51,076,490	
Eagle Canyon	Chino Hills, CA	—	1985	252	1,808,900	16,274,361	8,800,432	1,808,900	25,074,793	
Edgemont at Bethesda Metro	Bethesda, MD	—	1989	122	13,092,552	43,907,448	1,125,457	13,092,552	45,032,905	
Elevé	Glendale, CA	G	2013	208	14,080,560	56,419,440	415,204	14,080,560	56,834,644	
Emerson Place	Boston, MA	G	1962	444	14,855,000	57,566,636	22,690,975	14,855,000	80,257,611	
Encinitas Heights (fka Encinitas)	Encinitas, CA	G	2002	120	12,000,000	29,207,497	617,199	12,000,000	29,824,696	
Encore at Sherman Oaks, The	Sherman Oaks, CA	—	1988	174	8,700,000	25,446,003	1,211,820	8,700,000	26,657,823	
Fountains at Emerald	Dublin, CA	—	2000	324	25,900,000	83,986,217	927,144	25,900,000	84,913,361	

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Park (fka Emerald Park)										
Fremont Center	Fremont, CA	G	2002	322	25,800,000	78,753,114	2,733,097	25,800,000	81,486,211	
Gallery, The	Hermosa Beach, CA	—	1971	169	18,144,000	46,567,941	2,651,435	18,144,000	49,219,376	
Garden Garage	Boston, MA	—	(F)	—	—	4,917,373	—	—	4,917,373	
Gateway at Malden Center	Malden, MA	G	1988	203	9,209,780	25,722,666	13,834,746	9,209,780	39,557,412	
Geary Court Yard	San Francisco, CA	—	1990	164	1,722,400	15,471,429	4,477,710	1,722,400	19,949,139	
Glen Meadow	Franklin, MA	—	1971	288	2,339,331	16,133,588	4,347,422	2,339,331	20,481,010	
Hampshire Place	Los Angeles, CA	—	1989	259	10,806,000	30,335,330	4,042,761	10,806,000	34,378,091	
Harbor Steps	Seattle, WA	G	2000	758	59,387,158	158,829,432	20,957,019	59,387,158	179,786,45	
Helios (fka 2nd & Pine)	Seattle, WA	G	(F)	—	18,061,674	162,443,822	—	18,061,674	162,443,82	
Heritage at Stone Ridge	Burlington, MA	—	2005	180	10,800,000	31,808,335	1,839,852	10,800,000	33,648,187	
Heritage Ridge	Lynwood, WA	—	1999	197	6,895,000	18,983,597	1,741,466	6,895,000	20,725,063	
Hesby	North Hollywood, CA	—	2013	308	23,299,892	102,700,108	323,337	23,299,892	103,023,44	
Highlands at Cherry Hill	Cherry Hills, NJ	—	2002	170	6,800,000	21,459,108	1,219,837	6,800,000	22,678,945	
Highlands at South Plainfield	South Plainfield, NJ	—	2000	252	10,080,000	37,526,912	1,671,208	10,080,000	39,198,120	
Hikari	Los Angeles, CA	G	2007	128	9,435,760	32,564,240	623,527	9,435,760	33,187,767	
Hudson Crossing	New York, NY	G	2003	259	23,420,000	69,977,699	2,182,860	23,420,000	72,160,559	
Hudson Crossing II	New York, NY	—	(F)	—	10,599,287	3,293,787	—	10,599,287	3,293,787	

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 Schedule III - Real Estate and Accumulated Depreciation
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Description		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition (Improvements, net) (E)	Gross Amount Ca	Close of Period 12			
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Unit Land (H)	Building & Fixtures	Building & Fixtures	Land	Build	Fixtu
Hudson Pointe	Jersey City, NJ	—	2003	182 5,350,000	41,114,074	4,844,133	5,350,000	45,9	
Hunt Club II	Charlotte, NC	—	(F)	— 100,000	—	—	100,000	—	
Ivory Wood	Bothell, WA	—	2000	144 2,732,800	13,888,282	992,859	2,732,800	14,8	
Jia (fka Chinatown Gateway)	Los Angeles, CA	G	2014	280 14,791,831	76,417,368	160,373	14,791,831	76,5	
Junction 47 (fka West Seattle)	Seattle, WA	G	2015	206 11,726,305	55,592,607	10,285	11,726,305	55,6	
Kelvin, The (fka Modera)	Irvine, CA	—	2015	194 15,521,552	64,853,448	140,201	15,521,552	64,9	
Kendall Square II	Cambridge, MA	—	(F)	— —	2,361,587	—	—	2,36	
Landings at Port Imperial	W. New York, NJ	—	1999	276 27,246,045	37,741,050	8,727,114	27,246,045	46,4	
Lincoln Heights	Quincy, MA	—	1991	336 5,928,400	33,595,262	12,900,751	5,928,400	46,4	
Lindley Apartments	Encino, CA	—	2004	129 5,805,000	25,705,000	927,140	5,805,000	26,6	
Lofts 590	Arlington, VA	—	2005	212 20,100,000	67,909,023	593,626	20,100,000	68,5	
Lofts at Kendall Square (fka Kendall Square)	Cambridge, MA	—	1998	186 23,300,000	78,445,657	4,430,000	23,300,000	82,8	
Longacre House	New York, NY	G	2000	293 73,170,045	53,962,510	1,952,072	73,170,045	55,9	
Longfellow Place	Boston, MA	G	1975	710 47,096,917	150,143,916	77,175,848	47,096,917	227,	
Mantena	New York, NY	G	2012	98 22,346,513	61,501,158	726,983	22,346,513	62,2	
Marina 41 (fka Marina Del Rey)	Marina Del Rey, CA	—	1973	623 —	168,842,442	5,590,178	—	174,	

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Rey)										
Mariposa at Playa Del Rey (fka Playa Del Rey)	Playa Del Rey, CA	—	2004	354	60,900,000	89,311,482	4,874,252	60,900,000	94,1	
Milano Lofts	Los Angeles, CA	G	1925/2006	99	8,125,216	27,378,784	419,390	8,125,216	27,7	
Mountain View Redevelopment	Mountain View, CA	—	(F)	—	—	11,539	—	—	11,5	
Mozaic at Union Station	Los Angeles, CA	—	2007	272	8,500,000	52,529,446	1,742,611	8,500,000	54,2	
Murray Hill Tower (fka Murray Hill)	New York, NY	G	1974	270	75,800,000	102,705,401	5,632,060	75,800,000	108,	
Northglenn	Valencia, CA	—	1988	234	9,360,000	20,778,553	3,216,250	9,360,000	23,9	
Northpark	Burlingame, CA	—	1972	510	38,607,000	77,472,217	12,538,178	38,607,000	90,0	
Northridge	Pleasant Hill, CA	—	1974	221	5,524,000	14,691,705	10,511,874	5,524,000	25,2	
Oak Park Combined	Agoura Hills, CA	—	1989 & 1990	444	3,390,700	30,517,274	9,746,651	3,390,700	40,2	
Oakwood Boston	Boston, MA	G	1901	94	22,200,000	28,672,979	1,529,010	22,200,000	30,2	
Oakwood Crystal City	Arlington, VA	—	1987	162	15,400,000	35,474,336	2,425,184	15,400,000	37,8	
Oakwood Marina Del Rey	Marina Del Rey, CA	—	1969	597	—	120,795,359	2,437,138	—	123,	
Oaks	Santa Clarita, CA	—	2000	520	23,400,000	61,020,438	5,042,217	23,400,000	66,0	
Ocean Crest	Solana Beach, CA	—	1986	146	5,111,200	11,910,438	3,961,557	5,111,200	15,8	
Odin (fka Tallman)	Seattle, WA	—	2015	301	16,807,519	63,703,105	4,853	16,807,519	63,7	
Old Town Lofts	Redmond, WA	G	2014	149	7,740,467	44,146,181	615,810	7,740,467	44,7	
One Henry Adams	San Francisco, CA	G	2016	241	30,224,393	132,422,943	—	30,224,393	132,	
Pacific Place	Los Angeles, CA	—	2008	430	32,250,000	110,750,000	1,114,418	32,250,000	111,	
Packard Building	Seattle, WA	G	2010	61	5,911,041	19,954,959	25,690	5,911,041	19,9	
Parc 77	New York, NY	G	1903	137	40,504,000	18,025,679	5,639,147	40,504,000	23,6	
Parc Cameron	New York, NY	G	1927	166	37,600,000	9,855,597	6,917,858	37,600,000	16,7	
Parc Coliseum		G	1910	177	52,654,000	23,045,751	8,635,413	52,654,000	31,6	

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Parc East Towers	New York, NY New York, NY	G	1977	324	102,163,000	108,989,402	8,841,139	102,163,000	117,000
Parc on Powell (fka Parkside at Emeryville)	Emeryville, CA	G	2015	173	16,667,059	67,690,072	48,612	16,667,059	67,700
Park at Pentagon Row (fka Pentagon City)	Arlington, VA	G	1990	298	28,300,000	78,838,184	1,353,525	28,300,000	80,100
Park Connecticut	Washington, D.C.	—	2000	142	13,700,000	59,087,519	1,138,671	13,700,000	60,200
Park Hacienda (fka Hacienda)	Pleasanton, CA	—	2000	540	43,200,000	128,753,359	1,303,861	43,200,000	130,000
Park West (CA)	Los Angeles, CA	—	1987/1990	444	3,033,500	27,302,383	9,833,303	3,033,500	37,100
Parkside	Union City, CA	—	1979	208	6,246,700	11,827,453	4,057,554	6,246,700	15,800
Pearl, The	Seattle, WA	G	2008	80	6,972,585	26,527,415	86,236	6,972,585	26,600
Pegasus	Los Angeles, CA	G	1949/2003	322	18,094,052	81,905,948	4,353,371	18,094,052	86,200

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EQUITY RESIDENTIAL
 ERP OPERATING LIMITED PARTNERSHIP
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Description		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition (net) (E)		Gross Amount Carried at Close of Period 12/31/16 (Improvements, net) (E)			
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Unit	Land	Building & Fixtures	Building & Fixtures	Land	Building & Fixtures (A)
Playa Pacifica	Hermosa Beach, CA	—	1972	285	35,100,000	33,473,822	21,252,912	35,100,000	54,726,734
Portofino	Chino Hills, CA	—	1989	176	3,572,400	14,660,994	3,619,935	3,572,400	18,280,929
Portofino (Val)	Valencia, CA	—	1989	216	8,640,000	21,487,126	4,531,435	8,640,000	26,018,561
Portside Towers	Jersey City, NJ	G	1992-1997	527	22,487,006	96,842,913	20,261,246	22,487,006	117,104,152
Potrero 1010	San Francisco, CA	G	2016	453	40,830,011	178,838,375	2,685	40,830,011	178,841,060
Prado (fka Glendale)	Glendale, CA	—	1988	264	—	67,977,313	2,474,023	—	70,451,336
Prime, The	Arlington, VA	—	2002	256	32,000,000	64,436,539	1,366,624	32,000,000	65,803,163
Prism at Park Avenue	New York, NY	G	2015	269	76,292,169	171,532,416	40,159	76,292,169	171,572,575
South (fka 400 Park Avenue South)	New York, NY	G	2015	269	76,292,169	171,532,416	40,159	76,292,169	171,572,575
Promenade at Town Center I & II	Valencia, CA	—	2001	564	28,200,000	69,795,915	6,603,855	28,200,000	76,399,770
Quarry Hills	Quincy, MA	—	2006	316	26,900,000	84,411,162	1,276,264	26,900,000	85,687,426
Red 160 (fka Redmond Way)	Redmond, WA	G	2011	250	15,546,376	65,320,010	1,069,525	15,546,376	66,389,535
Redmond Court	Bellevue, WA	—	1977	206	10,300,000	33,488,745	828,734	10,300,000	34,317,479
Regency Palms	Huntington Beach, CA	—	1969	310	1,857,400	16,713,254	5,843,205	1,857,400	22,556,459
		G	1998	34	2,458,000	4,542,000	157,541	2,458,000	4,699,541

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Renaissance Villas	Berkeley, CA									
Reserve at Mountain View (fka Mountain View)	Mountain View, CA	—	1965	180	27,000,000	33,029,605	3,985,141	27,000,000	37,014,740	
Reserve at Potomac Yard	Alexandria, VA	—	2002	588	11,918,917	68,862,641	10,012,055	11,918,917	78,874,690	
Reserve at Town Center I-III (WA) Residences	Mill Creek, WA	G	2001, 2009, 2014	584	16,769,205	77,511,523	2,904,720	16,769,205	80,416,243	
Reserve at Westgate (fka Westgate II) Residences	Pasadena, CA	G	2014	252	17,859,785	108,596,287	152,142	17,859,785	108,748,427	
Reserve at Westgate II (fka Westgate III)	Pasadena, CA	G	2015	88	12,118,248	40,458,283	28,122	12,118,248	40,486,405	
Rianna I	Seattle, WA	G	2000	78	2,268,160	14,864,482	570,971	2,268,160	15,435,453	
Ridgewood Village I&II	San Diego, CA	—	1997	408	11,809,500	34,004,048	5,443,381	11,809,500	39,447,429	
Riva Terra I (fka Redwood Shores)	Redwood City, CA	—	1986	304	34,963,355	84,587,658	1,530,506	34,963,355	86,118,161	
Riva Terra II (fka Harborside)	Redwood City, CA	—	1986	149	17,136,645	40,536,531	1,833,334	17,136,645	42,369,865	
Riverpark	Redmond, WA	G	2009	319	14,355,000	80,894,049	1,100,173	14,355,000	81,994,222	
Rolling Green (Milford)	Milford, MA	—	1970	304	2,012,350	13,452,150	7,325,804	2,012,350	20,777,954	
Rosecliff II	Quincy, MA	—	2005	130	4,922,840	30,202,160	873,630	4,922,840	31,075,790	
Sakura Crossing	Los Angeles, CA	G	2009	230	14,641,990	42,858,010	703,088	14,641,990	43,561,098	
Seventh & James	Seattle, WA	—	1992	96	663,800	5,974,803	3,798,267	663,800	9,773,070	
Sheffield Court	Arlington, VA	—	1986	597	3,342,381	31,337,332	14,316,432	3,342,381	45,653,764	
Skycrest	Valencia, CA	—	1999	264	10,560,000	25,574,457	3,079,215	10,560,000	28,653,672	
Skylark	Union City, CA	—	1986	174	1,781,600	16,731,916	4,194,009	1,781,600	20,925,925	
		—	1967 & 1987	138	16,836,000	35,414,000	4,638,329	16,836,000	40,052,329	

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Skyline Terrace Skyline Towers	Burlingame, CA Falls Church, VA San Francisco, CA	G	1971	939	78,278,200	91,485,591	39,225,721	78,278,200	130,711,310
SoMa II	San Francisco, CA	—	(F)	—	29,406,606	3,589,891	—	29,406,606	3,589,891
Sonterra at Foothill Ranch	Foothill Ranch, CA	—	1997	300	7,503,400	24,048,507	4,962,421	7,503,400	29,010,928
South City Station (fka South San Francisco)	San Francisco, CA	G	2007	360	68,900,000	79,476,861	2,331,779	68,900,000	81,808,640
Southwood	Palo Alto, CA	—	1985	100	6,936,600	14,324,069	3,202,676	6,936,600	17,526,745
Springbrook Estates	Riverside, CA	—	(F)	—	18,200,000	—	—	18,200,000	—
Summerset Village II	Chatsworth, CA	—	(F)	—	260,646	—	—	260,646	—
Summit at Sausalito (fka Sausalito)	Sausalito, CA	—	1978	198	26,000,000	28,435,024	3,586,242	26,000,000	32,021,266
Ten23 (fka 500 West 23rd Street)	New York, NY	G	2011	111	—	58,881,873	165,340	—	59,047,213
Terraces, The	San Francisco, CA	G	1975	117	14,087,610	16,314,151	982,446	14,087,610	17,296,597
Third Square	Cambridge, MA	G	2008/2009	471	26,767,171	218,822,728	5,396,605	26,767,171	224,219,330
Three20 Town Center	Seattle, WA	G	2013	134	7,030,766	29,005,762	703,110	7,030,766	29,708,872
South Commercial Tract	St. Charles, MD	—	(F)	—	1,500,000	9,394	—	1,500,000	9,394

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Description		Initial Cost to Company					Cost Capitalized Subsequent to Acquisition (Improvement net) (E)	Gross Amount at Close of Period (Improvement net) (F)
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Units (H)	Land	Building & Fixtures	Building & Fixtures	Land
Town Square at Mark Center II	Alexandria, VA	—	2001	272	15,568,464	55,029,607	2,117,754	15,568,464
Urbana (fka Market Street Landing)	Seattle, WA	G	2014	287	12,542,418	75,766,505	283,439	12,542,418
Uwajimaya Village	Seattle, WA	—	2002	176	8,800,000	22,188,288	724,720	8,800,000
Vantage Pointe	San Diego, CA	G	2009	679	9,403,960	190,596,040	8,156,057	9,403,960
Veloce	Redmond, WA	G	2009	322	15,322,724	76,176,594	750,251	15,322,724
Verde Condominium Homes (fka Mission Verde, LLC)	San Jose, CA	—	1986	108	5,190,700	9,679,109	4,206,652	5,190,700
Veridian (fka Silver Spring)	Silver Spring, MD	G	2009	457	18,539,817	130,407,365	1,921,459	18,539,817
Villa Solana	Laguna Hills, CA	—	1984	272	1,665,100	14,985,678	9,397,116	1,665,100
Village at Del Mar Heights, The (fka Del Mar Heights)	San Diego, CA	—	1986	168	15,100,000	40,859,396	814,553	15,100,000
Virginia Square	Arlington, VA	G	2002	231	—	85,940,003	2,598,732	—
Vista 99 (fka Tasman)	San Jose, CA	—	2016	554	27,709,329	175,174,600	15,853	27,709,329
Vista Del Lago	Mission Viejo, CA	—	1986-1988	608	4,525,800	40,736,293	16,333,057	4,525,800
Vista on Courthouse	Arlington, VA	—	2008	220	15,550,260	69,449,740	1,412,841	15,550,260
Walden Park	Cambridge, MA	—	1966	232	12,448,888	52,044,448	4,033,426	12,448,888
		—	1989	362	34,400,000	108,485,859	6,380,938	34,400,000

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Water Park Towers	Arlington, VA								
Watertown Square	Watertown, MA	G	2005	134	16,800,000	34,074,056	1,145,350	16,800,000	
West 96th	New York, NY	G	1987	207	84,800,000	67,055,502	4,128,963	84,800,000	
West End Apartments (fka Emerson Place/CRP II)	Boston, MA	G	2008	310	469,546	163,123,022	2,430,837	469,546	
Westchester at Rockville	Rockville, MD	—	2009	192	10,600,000	44,135,207	467,221	10,600,000	
Westmont	New York, NY	G	1986	163	64,900,000	61,143,259	2,222,721	64,900,000	
Westside	Los Angeles, CA	—	2004	204	34,200,000	56,962,630	2,395,974	34,200,000	
Westside Barrington (fka Westside Villas III)	Los Angeles, CA	—	1999	36	3,060,000	5,538,871	839,038	3,060,000	
Westside Barry (Westside Villas VI)	Los Angeles, CA	—	1989	18	1,530,000	3,023,523	547,484	1,530,000	
Westside Beloit (fka Westside Villas I)	Los Angeles, CA	—	1999	21	1,785,000	3,233,254	589,475	1,785,000	
Westside Bundy (fka Westside Villas II)	Los Angeles, CA	—	1999	23	1,955,000	3,541,435	542,370	1,955,000	
Westside Butler (fka Westside Villas IV)	Los Angeles, CA	—	1999	36	3,060,000	5,539,390	838,212	3,060,000	
Westside Villas (fka Westside Villas V & VII)	Los Angeles, CA	—	1999 & 2001	113	9,605,000	19,983,385	2,301,916	9,605,000	
Windridge (CA)	Laguna Niguel, CA	—	1989	344	2,662,900	23,985,497	9,609,243	2,662,900	
Wood Creek I	Pleasant Hill, CA	—	1987	256	9,729,900	23,009,768	6,948,103	9,729,900	
Management Business	Chicago, IL	—	(D)	—	—	—	110,281,527	—	
Operating Partnership	Chicago, IL	—	(F)	—	—	25,724	—	—	
Other	N/A	—	—	—	—	—	51,888	—	
Wholly Owned Unencumbered				52,102	4,477,036,244	13,029,648,911	941,634,623	4,477,036,244	
Wholly Owned Encumbered:									

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101 West End	New York, NY	G	2000	506	190,600,000	131,374,708	3,789,525	190,600,000
1401 Joyce on Pentagon Row	Arlington, VA	—	2004	326	9,780,000	89,668,165	4,067,409	9,780,000
2501 Porter	Washington, D.C.	—	1988	202	13,000,000	75,271,179	2,836,196	13,000,000
300 East 39th (fka East 39th)	New York, NY	G	2001	254	48,900,000	96,174,639	2,284,116	48,900,000
303 East 83rd (fka Camargue)	New York, NY	G	1976	261	79,400,000	79,122,624	2,200,064	79,400,000
425 Broadway	Santa Monica, CA	G	2001	101	12,600,000	34,394,772	2,855,350	12,600,000
4701 Willard	Chevy Chase, MD	G	1966	517	76,921,130	153,947,682	29,256,068	76,921,130
55 West Fifth I & II (fka Townhouse Plaza and Gardens)	San Mateo, CA	—	1964/1972	241	21,041,710	71,931,323	11,437,590	21,041,710
800 Sixth Ave (fka Chelsea)	New York, NY	G	2003	266	59,900,000	155,861,605	1,300,274	59,900,000
929 Mass (fka 929 House)	Cambridge, MA	G	1975	127	3,252,993	21,745,595	6,246,692	3,252,993
Academy Village	North Hollywood, CA	—	1989	248	25,000,000	23,593,194	8,049,828	25,000,000
Acappella	Pasadena, CA	—	2002	143	5,839,548	29,360,452	1,816,839	5,839,548

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Description		Initial Cost to Company			Cost Capitalized Subsequent to Acquisition (net) (E)		Gross Amount Carried at Close of Period 12/31/16 (Improvements, net) (E)		
Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Unit	Land	Building & Fixtures	Building & Fixtures	Land	Building Fixtures (E)
Alborada	Fremont, CA	—	1999	442	24,310,000	59,214,129	7,336,822	24,310,000	66,550,951
Alcyone	Seattle, WA	G	2004	161	11,379,497	49,360,503	560,007	11,379,497	49,920,510
Arches, The	Sunnyvale, CA	—	1974	410	26,650,000	62,850,000	1,319,564	26,650,000	64,169,564
Artisan Square	Northridge, CA	—	2002	140	7,000,000	20,537,359	1,314,168	7,000,000	21,851,527
Avanti	Anaheim, CA	—	1987	162	12,960,000	18,497,682	2,706,778	12,960,000	21,204,460
Avenir Apartments	Boston, MA	G	2009	241	—	114,321,618	1,416,319	—	115,737,937
Bella Vista I, II, III Combined	Woodland Hills, CA	—	2003-2007	579	31,682,754	121,095,786	4,165,480	31,682,754	125,261,236
Berkeleyan	Berkeley, CA	G	1998	56	4,377,000	16,022,110	360,831	4,377,000	16,382,941
Calvert Woodley	Washington, D.C.	—	1962	136	12,600,000	43,527,379	1,869,918	12,600,000	45,397,297
Carmel Terrace	San Diego, CA	—	1988-1989	384	2,288,300	20,596,281	11,662,759	2,288,300	32,259,040
Chelsea Square	Redmond, WA	—	1991	113	3,397,100	9,289,074	2,167,212	3,397,100	11,456,286
Citrus Suites	Santa Monica, CA	—	1978	70	9,000,000	16,950,326	1,623,844	9,000,000	18,574,170
Cleveland House	Washington, D.C.	—	1953	214	18,300,000	66,392,414	3,359,210	18,300,000	69,751,624
Columbia Crossing	Arlington, VA	—	1991	247	23,500,000	53,045,073	2,467,048	23,500,000	55,512,121
Deerwood (SD)	San Diego, CA	—	1990	316	2,082,095	18,739,815	14,552,126	2,082,095	33,291,946
Del Mar Ridge	San Diego, CA	—	1998	181	7,801,824	36,948,176	3,554,417	7,801,824	40,502,597
Estancia at Santa Clara	Santa Clara, CA	—	2000	450	—	123,759,804	907,589	—	124,667,393

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(fka Santa Clara)										
Fairchase	Fairfax, VA	—	2007	392	23,500,000	87,722,321	791,751	23,500,000	88,514,07	
Fairfield	Stamford, CT	G	1996	263	6,510,200	39,690,120	7,374,368	6,510,200	47,064,48	
Fine Arts Building	Berkeley, CA	G	2004	100	7,817,000	26,462,772	335,849	7,817,000	26,798,62	
Flats at DuPont Circle	Washington, D.C.	—	1967	306	35,200,000	108,768,198	891,807	35,200,000	109,660,0	
Gaia Building	Berkeley, CA	G	2000	91	7,113,000	25,623,826	253,313	7,113,000	25,877,13	
Gaithersburg Station	Gaithersburg, MD	G	2013	389	17,500,000	74,678,917	580,456	17,500,000	75,259,37	
Glo	Los Angeles, CA	G	2008	201	16,047,022	48,650,963	1,928,600	16,047,022	50,579,56	
Hathaway	Long Beach, CA	—	1987	385	2,512,500	22,611,912	8,822,118	2,512,500	31,434,03	
Heights on Capitol Hill	Seattle, WA	G	2006	104	5,425,000	21,138,028	561,221	5,425,000	21,699,24	
Kelvin Court (fka Alta Pacific)	Irvine, CA	—	2008	132	10,752,145	34,628,115	487,960	10,752,145	35,116,07	
Kenwood Mews	Burbank, CA	—	1991	141	14,100,000	24,662,883	3,432,035	14,100,000	28,094,91	
La Terrazza at Colma Station	Colma, CA	G	2005	153	—	41,251,044	759,840	—	42,010,88	
Laguna Clara	Santa Clara, CA	—	1972	264	13,642,420	29,707,475	4,774,728	13,642,420	34,482,20	
Liberty Park	Braintree, MA	—	2000	202	5,977,504	26,749,111	5,895,100	5,977,504	32,644,21	
Liberty Tower	Arlington, VA	G	2008	235	16,382,822	83,817,078	1,647,551	16,382,822	85,464,62	
Longview Place	Waltham, MA	—	2004	348	20,880,000	90,255,509	4,693,142	20,880,000	94,948,65	
Market Street Village	San Diego, CA	—	2006	229	13,740,000	40,757,301	1,957,762	13,740,000	42,715,06	
Metro on First	Seattle, WA	G	2002	102	8,540,000	12,209,981	1,040,629	8,540,000	13,250,61	
Mill Creek	Milpitas, CA	—	1991	516	12,858,693	57,168,503	9,258,516	12,858,693	66,427,01	
Moda	Seattle, WA	G	2009	251	12,649,228	36,842,012	875,933	12,649,228	37,717,94	
Montierra (CA)	San Diego, CA	—	1990	272	8,160,000	29,360,938	7,732,818	8,160,000	37,093,75	
Mosaic at Metro	Hyattsville, MD	—	2008	260	—	59,580,898	813,248	—	60,394,14	
North Pier at Harborside	Jersey City, NJ	—	2003	297	4,000,159	94,290,590	3,486,749	4,000,159	97,777,33	
Olympus Towers	Seattle, WA	G	2000	328	14,752,034	73,335,425	8,245,007	14,752,034	81,580,43	

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Park Place at San Mateo (fka San Mateo)	San Mateo, CA	G	2001	575	71,900,000	211,907,141	9,695,764	71,900,000	221,602,9
Providence Reserve at Clarendon Centre, The	Bothell, WA	—	2000	200	3,573,621	19,055,505	1,328,617	3,573,621	20,384,12
Reserve at Eisenhower, The	Arlington, VA	G	2003	252	10,500,000	52,812,935	4,133,203	10,500,000	56,946,13
Reserve at Empire Lakes	Alexandria, VA	—	2002	226	6,500,000	34,585,060	2,771,158	6,500,000	37,356,21
Reserve at Fairfax Corner	Rancho Cucamonga, CA	—	2005	467	16,345,000	73,080,670	2,674,707	16,345,000	75,755,37
Rianna II	Fairfax, VA	—	2001	652	15,804,057	63,129,051	10,544,380	15,804,057	73,673,43
Siena Terrace	Seattle, WA	G	2002	78	2,161,840	14,433,614	335,207	2,161,840	14,768,82
	Lake Forest, CA	—	1988	356	8,900,000	24,083,024	6,960,564	8,900,000	31,043,58
Skyview	Rancho Santa Margarita, CA	—	1999	260	3,380,000	21,952,863	5,142,411	3,380,000	27,095,27

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Apartment Name	Location	Retail/Commercial Space	Date of Construction	Apartment Units (H)	Land	Building & Fixtures	Building & Fixtures	La
SoMa Square Apartments (fka South Market)	San Francisco, CA	G	1986	410	79,900,000	177,316,977	5,784,763	79
Square One	Seattle, WA	—	2014	112	7,222,544	26,277,456	18,949	7,2
Summerset Village	Chatsworth, CA	—	1985	280	2,629,804	23,670,889	7,407,026	2,6
Talleyrand	Tarrytown, NY	—	1997-1998	300	12,000,000	49,838,160	5,280,338	12
Teresina	Chula Vista, CA	—	2000	440	28,600,000	61,916,670	3,924,692	28
Toscana	Irvine, CA	—	1991/1993	563	39,410,000	50,806,072	13,015,608	39
Touriel Building	Berkeley, CA	G	2004	35	2,736,000	7,810,027	178,396	2,7
Town Square at Mark Center I (fka Millbrook I)	Alexandria, VA	—	1996	406	24,360,000	86,178,714	5,090,465	24
Vantage Hollywood	Los Angeles, CA	—	1987	298	42,580,326	56,014,674	126,527	42
Versailles	Woodland Hills, CA	—	1991	253	12,650,000	33,656,292	6,676,131	12
Versailles (K-Town)	Los Angeles, CA	—	2008	225	10,590,975	44,409,025	1,443,140	10
Victor on Venice	Los Angeles, CA	G	2006	115	10,350,000	35,433,437	651,436	10
Vintage	Ontario, CA	—	2005-2007	300	7,059,230	47,677,762	991,090	7,0
Vintage at 425 Broadway (fka Promenade)	Santa Monica, CA	G	1934/2001	58	9,000,000	13,961,523	1,059,233	9,0
West 54th		G	2001	222	60,900,000	48,193,837	1,803,032	60

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Westgate (fka Westgate I)	New York, NY Pasadena, CA	—	2010	480	22,898,848	133,559,573	1,626,531	22,898,848
Woodleaf	Campbell, CA	—	1984	178	8,550,600	16,988,183	4,564,556	8,550,600
Portfolio/Entity Encumbrances (1)								
Wholly Owned Encumbered				21,196	1,542,126,523	4,432,306,521	317,352,468	1,542,126,523
Partially Owned Unencumbered:								
2300 Elliott	Seattle, WA	—	1992	92	796,800	7,173,725	6,364,098	796,800
Canyon Ridge	San Diego, CA	—	1989	162	4,869,448	11,955,064	3,764,545	4,869,448
Country Oaks	Agoura Hills, CA	—	1985	256	6,105,000	29,561,865	6,382,976	6,105,000
Harrison Square (fka Elliot Bay)	Seattle, WA	G	1992	166	7,600,000	35,844,345	4,889,669	7,600,000
Monterra in Mill Creek	Mill Creek, WA	—	2003	139	2,800,000	13,255,123	935,693	2,800,000
Rosecliff	Quincy, MA	—	1990	156	5,460,000	15,721,570	3,246,786	5,460,000
Strayhorse at Arrowhead Ranch	Glendale, AZ	—	1998	136	4,400,000	12,968,002	699,374	4,400,000
Via Ventura (CA) (fka Ventura)	Ventura, CA	—	2002	192	8,600,000	44,308,202	703,519	8,600,000
Wood Creek II (fka Willow Brook (CA))	Pleasant Hill, CA	—	1985	228	5,055,000	38,388,672	6,380,861	5,055,000
Partially Owned Unencumbered				1,527	45,686,248	209,176,568	33,367,521	45,686,248
Partially Owned Encumbered:								
Bellevue Meadows	Bellevue, WA	—	1983	180	4,507,100	12,574,814	5,224,512	4,507,100
Canyon Creek (CA)	San Ramon, CA	—	1984	268	5,425,000	18,812,120	7,124,649	5,425,000
Lantern Cove	Foster City, CA	—	1985	232	6,945,000	23,064,976	6,190,412	6,945,000
Schooner Bay I	Foster City, CA	—	1985	168	5,345,000	20,390,618	5,003,636	5,345,000
Schooner Bay II	Foster City, CA	—	1985	144	4,550,000	18,064,764	4,440,120	4,550,000
Surrey Downs		—	1986	122	3,057,100	7,848,618	2,931,955	3,057,100

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Virgil Square	Bellevue, WA Los Angeles, CA	—	1979	142	5,500,000	15,216,613	2,761,807	5,5
Wisconsin Place	Chevy Chase, MD	—	2009	432	—	172,089,355	1,021,679	—
Partially Owned Encumbered				1,688	35,329,200	288,061,878	34,698,770	35
Total Consolidated Investment in Real Estate				76,513	\$6,100,178,215	\$17,959,193,878	\$1,327,053,382	\$6

(1) See attached Encumbrances Reconciliation.

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EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2016

NOTES:

- (A) The balance of furniture & fixtures included in the total investment in real estate amount was \$1,346,300,284 as of December 31, 2016.
- (B) The cost, net of accumulated depreciation, for Federal Income Tax purposes as of December 31, 2016 was approximately \$15.8 billion (unaudited).
The life to compute depreciation for building is 30 years, for building improvements ranges from 5 to 15 years, for furniture & fixtures and replacements is 5 to 10 years and for lease intangibles is the average remaining term of each respective lease.
- (C) This asset consists of various acquisition dates and largely represents furniture, fixtures and equipment, leasehold improvements and capitalized software costs owned by the Management Business, which are generally depreciated over periods ranging from 3 to 7 years.
- (D) Primarily represents capital expenditures for major maintenance and replacements incurred subsequent to each property's acquisition date.
- (E) Represents land and/or construction-in-progress on projects either held for future development or projects currently under development.
- (F) A portion of these properties includes and/or will include retail/commercial space.
- (G) Total properties and apartment units exclude two unconsolidated properties containing 945 apartment units.
- (H) Through (K) See Encumbrances Reconciliation schedule.
- (L) Boot property for Bond Partnership mortgage pool.

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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
3.1	Articles of Restatement of Declaration of Trust of Equity Residential dated December 9, 2004.	Included as Exhibit 3.1 to Equity Residential’s Form 10-K for the year ended December 31, 2004.
3.2	Eighth Amended and Restated Bylaws of Equity Residential, effective as of October 1, 2015.	Included as Exhibit 3.1 to Equity Residential's Form 8-K dated and filed on October 1, 2015.
3.3	Sixth Amended and Restated Agreement of Limited Partnership for ERP Operating Limited Partnership dated as of March 12, 2009.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated March 12, 2009, filed on March 18, 2009.
4.1	Indenture, dated October 1, 1994, between the Operating Partnership and The Bank of New York Mellon Trust Company, N.A., as successor trustee (“Indenture”).	Included as Exhibit 4(a) to ERP Operating Limited Partnership’s Form S-3 filed on October 7, 1994.
4.2	First Supplemental Indenture to Indenture, dated as of September 9, 2004.	Included as Exhibit 4.2 to ERP Operating Limited Partnership’s Form 8-K, filed on September 10, 2004.
4.3	Second Supplemental Indenture to Indenture, dated as of August 23, 2006.	Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated August 16, 2006, filed on August 23, 2006.
4.4	Third Supplemental Indenture to Indenture, dated as of June 4, 2007.	Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated May 30, 2007, filed on June 1, 2007.
4.5	Fourth Supplemental Indenture to Indenture, dated as of December 12, 2011.	Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated December 7, 2011, filed on December 9, 2011.
4.6	Fifth Supplemental Indenture to Indenture, dated as of February 1, 2016.	Included as Exhibit 4.6 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2015.
4.7	Form of 5.75% Note due June 15, 2017.	Included as Exhibit 4.3 to ERP Operating Limited Partnership’s Form 8-K dated May 30, 2007, filed on June 1, 2007.
4.8	Terms Agreement regarding 7.125% Notes due October 15, 2017.	Included as Exhibit 1 to ERP Operating Limited Partnership’s Form 8-K, filed on October 9, 1997.
4.9	Form of 2.375% Note due July 1, 2019.	Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014.
4.10	Form of 4.75% Note due July 15, 2020.	Included as Exhibit 4.1 to ERP Operating Limited Partnership’s Form 8-K dated July 12, 2010, filed on July 15, 2010.
4.11	Form of 4.625% Note due December 15, 2021.	Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated December 7, 2011, filed on December 9, 2011.
4.12	Form of 3.00% Note due April 15, 2023.	Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated April 3, 2013, filed

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| 4.13 | Form of 3.375% Note due June 1, 2025. | on April 8, 2013.
Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated May 11, 2015, filed on May 13, 2015. |
| 4.14 | Terms Agreement regarding 7.57% Notes due August 15, 2026. | Included as Exhibit 1 to ERP Operating Limited Partnership's Form 8-K, filed on August 13, 1996.
Included as Exhibit 4.1 to ERP Operating Limited Partnership's Form 8-K dated October 4, 2016, filed on October 7, 2016. |
| 4.15 | Form of 2.850% Note due November 1, 2026. | Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated June 16, 2014, filed on June 18, 2014. |
| 4.16 | Form of 4.500% Note due July 1, 2044. | Included as Exhibit 4.2 to ERP Operating Limited Partnership's Form 8-K dated May 11, 2015, filed on May 13, 2015. |
| 4.17 | Form of 4.500% Note due June 1, 2045. | Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. |
| 10.1 | *Noncompetition Agreement (Zell). | Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. |
| 10.2 | *Noncompetition Agreement (Spector). | Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. |
| 10.3 | *Form of Noncompetition Agreement (other officers). | Included as an exhibit to Equity Residential's Form S-11 Registration Statement, File No. 33-63158. |
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Exhibit	Description	Location
10.4	Revolving Credit Agreement dated as of January 11, 2013 among ERP Operating Limited Partnership, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Book Runners, and a syndicate of other banks (the "Revolving Credit Agreement").	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated January 11, 2013, filed January 15, 2013.
10.5	Guaranty of Payment made as of January 11, 2013 between Equity Residential and Bank of America, N.A., as administrative agent for the banks party to the Revolving Credit Agreement.	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated January 11, 2013, filed January 15, 2013.
10.6	Amendment No. 1 to Revolving Credit Agreement dated as of January 16, 2015 among ERP Operating Limited Partnership, the Banks party thereto, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, and the other Agents named therein.	Included as Exhibit 10.6 to Equity Residential's and ERP Operating Limited Partnership's Form 10-K for the year ended December 31, 2014.
10.7	Revolving Credit Agreement dated as of November 3, 2016 among ERP Operating Limited Partnership, Bank of America, N.A., as Administrative Agent, Wells Fargo Bank, National Association, and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Bookrunners, and a syndicate of other banks (the "Credit Agreement").	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed November 3, 2016.
10.8	Guaranty of Payment made as of November 3, 2016 between Equity Residential and Bank of America, N.A., as administrative agent for the banks party to the Credit Agreement.	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed November 3, 2016.
10.9	Master Credit Facility Agreement, dated February 27, 2013, by and among Federal National Mortgage Association and ASN Santa Monica LLC, et al.	Included as Exhibit 10.7 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.10	Amended and Restated Fixed Loan Note (Collateral Pool 3), dated February 27, 2013, executed by ASN Santa Monica LLC, et al. in favor of Federal National Mortgage Association.	Included as Exhibit 10.8 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.11	Amended and Restated Limited Partnership Agreement of Lexford Properties, L.P.	Included as Exhibit 10.16 to Equity Residential's Form 10-K for the year ended December 31, 1999.

10.12	*Equity Residential 2011 Share Incentive Plan.	Included as Exhibit 99.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated June 16, 2011, filed on June 22, 2011.
10.13	*First Amendment to 2011 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2012.
10.14	*Second Amendment to 2011 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2013.
10.15	*Third Amendment to 2011 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended March 31, 2014.
10.16	*Fourth Amendment to 2011 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2014.
10.17	*Fifth Amendment to 2011 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended June 30, 2016.
10.18	*Sixth Amendment to 2011 Share Incentive Plan.	Attached herein.
10.19	*Equity Residential Second Restated 2002 Share Incentive Plan dated December 10, 2008.	Included as Exhibit 10.15 to Equity Residential's Form 10-K for the year ended December 31, 2008.
10.20	*First Amendment to Second Restated 2002 Share Incentive Plan.	Included as Exhibit 10.1 to Equity Residential's Form 10-Q for the quarterly period ended September 30, 2010.
10.21	*Second Amendment to Second Restated 2002 Share Incentive Plan.	Included as Exhibit 10.3 to Equity Residential's Form 10-Q for the quarterly period ended June 30, 2011.
10.22	*Third Amendment to Second Restated 2002 Share Incentive Plan.	Included as Exhibit 10.2 to Equity Residential's and ERP

Operating Limited
Partnership's Form 10-Q for
the quarterly period ended June
30, 2012.

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Exhibit	Description	Location
10.23	*Fourth Amendment to Second Restated 2002 Share Incentive Plan.	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2013.
10.24	*Form of 2015 Performance Award Agreement.	Included as Exhibit 10.1 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended March 31, 2015.
10.25	*Form of Change in Control/Severance Agreement between the Company and other executive officers.	Included as Exhibit 10.13 to Equity Residential's Form 10-K for the year ended December 31, 2001.
10.26	*Form of First Amendment to Amended and Restated Change in Control/Severance Agreement with each executive officer.	Included as Exhibit 10.1 to Equity Residential's Form 10-Q for the quarterly period ended March 31, 2009.
10.27	*Form of Indemnification Agreement between the Company and each trustee and executive officer.	Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2003.
10.28	*Form of Letter Agreement between Equity Residential and each of David J. Neithercut, Alan W. George and Bruce C. Strohm.	Included as Exhibit 10.3 to Equity Residential's Form 10-Q for the quarterly period ended September 30, 2008.
10.29	*Form of Executive Retirement Benefits Agreement.	Included as Exhibit 10.24 to Equity Residential's Form 10-K for the year ended December 31, 2006.
10.30	*Retirement Benefits Agreement between Samuel Zell and the Company dated October 18, 2001.	Included as Exhibit 10.18 to Equity Residential's Form 10-K for the year ended December 31, 2001.
10.31	*Amended and Restated Deferred Compensation Agreement between the Company and Gerald A. Spector dated January 1, 2002.	Included as Exhibit 10.17 to Equity Residential's Form 10-K for the year ended December 31, 2001.
10.32	*The Equity Residential Supplemental Executive Retirement Plan as Amended and Restated effective July 1, 2014.	Included as Exhibit 10.2 to Equity Residential's and ERP Operating Limited Partnership's Form 10-Q for the quarterly period ended September 30, 2014.
10.33	*The Equity Residential Grandfathered Supplemental Executive Retirement Plan as Amended and Restated effective January 1, 2005.	Included as Exhibit 10.2 to Equity Residential's Form 10-Q for the quarterly period ended March 31, 2008.
10.34	Second Amended and Restated Sales Agency Financing Agreement, dated July 31, 2013, among the Company, the Operating Partnership and Merrill Lynch, Pierce, Fenner & Smith Incorporated.	Included as Exhibit 1.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on July 31, 2013.
10.35		

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	Amended and Restated Sales Agency Financing Agreement, dated July 31, 2013, among the Company, the Operating Partnership and BNY Mellon Capital Markets, LLC.	Included as Exhibit 1.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on July 31, 2013.
10.36	Second Amended and Restated Sales Agency Financing Agreement, dated July 31, 2013, among the Company, the Operating Partnership and J.P. Morgan Securities LLC.	Included as Exhibit 1.3 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on July 31, 2013.
10.37	Second Amended and Restated Sales Agency Financing Agreement, dated July 31, 2013, among the Company, the Operating Partnership and Morgan Stanley & Co. LLC.	Included as Exhibit 1.4 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on July 31, 2013.
10.38	Sales Agency Financing Agreement, dated July 31, 2013, among the Company, the Operating Partnership and Scotia Capital (USA) Inc.	Included as Exhibit 1.5 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on July 31, 2013.
10.39	Distribution Agreement, dated June 29, 2016, among the Company, the Operating Partnership, J.P. Morgan Securities LLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNY Mellon Capital Markets, LLC, Morgan Stanley & Co. LLC, Mitsubishi UFJ Securities (USA), Inc., Scotia Capital (USA) Inc. and UBS Securities LLC.	Included as Exhibit 1.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated and filed on June 29, 2016.
10.40	Archstone Residual JV, LLC Limited Liability Company Agreement.	Included as Exhibit 10.3 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.

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Exhibit Description	Location
10.41 Archstone Parallel Residual JV, LLC Limited Liability Company Agreement.	Included as Exhibit 10.4 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.42 Archstone Parallel Residual JV 2, LLC Limited Liability Company Agreement.	Included as Exhibit 10.5 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.43 Legacy Holdings JV, LLC Limited Liability Company Agreement.	Included as Exhibit 10.6 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.44 Real Estate Sale Agreement, dated October 23, 2015, by and among ERP Operating Limited Partnership, certain of its affiliates, and SCG Atlas Acquisition, L.P. (the "Real Estate Sale Agreement").	Included as Exhibit 2.1 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated February 27, 2013, filed on February 28, 2013.
10.45 Schedule of Agreements Substantially Identical in all Material Respects to the Real Estate Sale Agreement.	Included as Exhibit 2.2 to Equity Residential's and ERP Operating Limited Partnership's Form 8-K dated October 23, 2015, filed on October 26, 2015.
12 Computation of Ratio of Earnings to Combined Fixed Charges.	Attached herein.
21 List of Subsidiaries of Equity Residential and ERP Operating Limited Partnership.	Attached herein.
23.1 Consent of Ernst & Young LLP - Equity Residential.	Attached herein.
23.2 Consent of Ernst & Young LLP - ERP Operating Limited Partnership.	Attached herein.
24 Power of Attorney.	See the signature page to this report.
31.1 Equity Residential - Certification of David J. Neithercut, Chief Executive Officer.	Attached herein.
31.2 Equity Residential - Certification of Mark J. Parrell, Chief Financial Officer.	Attached herein.
31.3 ERP Operating Limited Partnership - Certification of David J. Neithercut, Chief Executive Officer of Registrant's General Partner.	Attached herein.
31.4 ERP Operating Limited Partnership - Certification of Mark J. Parrell, Chief Financial Officer of Registrant's General Partner.	Attached herein.
32.1 Equity Residential - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of David J. Neithercut, Chief Executive Officer of the Company.	Attached herein.

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- 32.2 Equity Residential - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Financial Officer of the Company. Attached herein.
- 32.3 ERP Operating Limited Partnership - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of David J. Neithercut, Chief Executive Officer of Registrant's General Partner. Attached herein.
- 32.4 ERP Operating Limited Partnership - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Mark J. Parrell, Chief Financial 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 Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL: (i) consolidated balance sheets, (ii) consolidated statements of operations and comprehensive income, (iii) consolidated statements of cash flows, (iv) consolidated statements of changes in equity (Equity Residential), (v) consolidated statements of changes in capital (ERP Operating Limited Partnership) and (vi) notes to consolidated financial statements. Attached herein.

*Management contracts and compensatory plans or arrangements filed as exhibits to this report are identified by an asterisk.