# Section 1: 10-Q (10-Q)

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

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2020**

**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)**<br>**Illinois (ERP Operating Limited Partnership)**<br>**(State or other jurisdiction of incorporation or organization)** | **13-3675988 (Equity Residential)**<br>**36-3894853 (ERP Operating Limited Partnership)**<br>**(I.R.S. Employer Identification No.)** |
| **Two North Riverside Plaza, Chicago, Illinois 60606**<br>**(Address of principal executive offices) (Zip Code)** | **(312) 474-1300**<br>**(Registrant's telephone number, including area code)** |

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Shares of Beneficial Interest, $0.01 Par Value (Equity Residential) | EQR | New York Stock Exchange |
| 7.57% Notes due August 15, 2026 (ERP Operating Limited Partnership) | N/A | New York Stock Exchange |

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

Equity Residential Yes ☒ No ☐ ERP Operating Limited Partnership Yes ☒ No ☐

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

Equity Residential Yes ☒ No ☐ ERP Operating Limited Partnership Yes ☒ No ☐

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

Equity Residential:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Small reporting company | ☐ |
| Emerging growth company | ☐ | | |

ERP Operating Limited Partnership:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Small reporting company | ☐ |
| Emerging growth company | ☐ | | |

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

Equity Residential ☐ ERP Operating Limited Partnership ☐

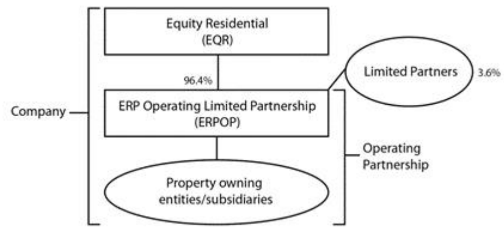
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Equity Residential Yes ☐ No ☒ ERP Operating Limited Partnership Yes ☐ No ☒

The number of EQR Common Shares of Beneficial Interest, $0.01 par value, outstanding on July 28, 2020 was 372,210,138.

**EXPLANATORY NOTE**

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2020 of Equity Residential and ERP Operating Limited Partnership. Unless stated otherwise or the context otherwise requires, references to "EQR" mean Equity Residential, a Maryland real estate investment trust ("REIT"), and references to "ERPOP" mean ERP Operating Limited Partnership, an Illinois limited partnership. References to the "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the "Operating Partnership" mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. The following chart illustrates the Company's and the Operating Partnership's corporate structure:




EQR is the general partner of, and as of June 30, 2020 owned an approximate 96.4% ownership interest in, ERPOP. The remaining 3.6% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of EQR consists of the same members as the management of ERPOP.

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

The Company believes that combining the reports on Form 10-Q of EQR and ERPOP into this single report provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between EQR and ERPOP in the context of how EQR and ERPOP operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR's primary function is acting as the general partner of ERPOP. EQR also issues equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP. EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by EQR (which are contributed to the capital of ERPOP in exchange for additional partnership interests in ERPOP ("OP Units") (on a one-for-one Common Share per OP Unit basis) or additional preference units in ERPOP (on a one-for-one preferred share per preference unit basis)), the Operating Partnership generates all remaining capital required by the Company's 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 partnership interests, and proceeds received from disposition of certain properties and joint venture interests.

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

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

This report also includes separate Part I, Item 4, *Controls and Procedures*, sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company is one business and the Company operates that business through the Operating Partnership.

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

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**EQUITY RESIDENTIAL**
**CONSOLIDATED BALANCE SHEETS**
**(Amounts in thousands except for share amounts)**
**(Unaudited)**

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Land | $ 5,789,307 | $ 5,936,188 |
| Depreciable property | 20,997,903 | 21,319,101 |
| Projects under development | 274,825 | 181,630 |
| Land held for development | 102,361 | 96,688 |
| Investment in real estate | 27,164,396 | 27,533,607 |
| Accumulated depreciation | (7,537,713) | (7,276,786) |
| Investment in real estate, net | 19,626,683 | 20,256,821 |
| Investments in unconsolidated entities | 55,310 | 52,238 |
| Cash and cash equivalents | 187,416 | 45,753 |
| Restricted deposits | 58,117 | 71,246 |
| Right-of-use assets | 505,077 | 512,774 |
| Other assets | 282,348 | 233,937 |
| **Total assets** | **$ 20,714,951** | **$ 21,172,769** |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Mortgage notes payable, net | $ 2,340,757 | $ 1,941,610 |
| Notes, net | 6,081,102 | 6,077,513 |
| Line of credit and commercial paper | — | 1,017,833 |
| Accounts payable and accrued expenses | 109,776 | 94,350 |
| Accrued interest payable | 67,589 | 66,852 |
| Lease liabilities | 330,135 | 331,334 |
| Other liabilities | 315,208 | 346,963 |
| Security deposits | 64,005 | 70,062 |
| Distributions payable | 232,208 | 218,326 |
| **Total liabilities** | **9,540,780** | **10,164,843** |
| | | |
| *Commitments and contingencies* | | |
| | | |
| **Redeemable Noncontrolling Interests – Operating Partnership** | **336,695** | **463,400** |
| 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 June 30, 2020 and December 31, 2019 | 37,280 | 37,280 |
| Common Shares of beneficial interest, $0.01 par value; 1,000,000,000 shares authorized; 372,209,012 shares issued and outstanding as of June 30, 2020 and 371,670,884 shares issued and outstanding as of December 31, 2019 | 3,722 | 3,717 |
| Paid in capital | 9,118,332 | 8,965,577 |
| Retained earnings | 1,505,694 | 1,386,495 |
| Accumulated other comprehensive income (loss) | (67,355) | (77,563) |
| Total shareholders' equity | 10,597,673 | 10,315,506 |
| Noncontrolling Interests: | | |
| Operating Partnership | 235,169 | 227,837 |
| Partially Owned Properties | 4,634 | 1,183 |
| Total Noncontrolling Interests | 239,803 | 229,020 |
| **Total equity** | **10,837,476** | **10,544,526** |
| **Total liabilities and equity** | **$ 20,714,951** | **$ 21,172,769** |

See accompanying notes

**EQUITY RESIDENTIAL**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**(Amounts in thousands except per share data)**
**(Unaudited)**

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **REVENUES** | | | | |
| Rental income | $ 1,335,837 | $ 1,331,676 | $ 653,532 | $ 669,374 |
| | | | | |
| **EXPENSES** | | | | |
| Property and maintenance | 220,268 | 223,531 | 104,452 | 108,461 |
| Real estate taxes and insurance | 192,770 | 182,888 | 95,038 | 91,446 |
| Property management | 51,317 | 50,765 | 23,608 | 24,369 |
| General and administrative | 26,353 | 29,710 | 11,835 | 14,329 |
| Depreciation | 418,398 | 404,723 | 205,976 | 200,508 |
| Total expenses | 909,106 | 891,617 | 440,909 | 439,113 |
| | | | | |
| Net gain (loss) on sales of real estate properties | 352,243 | 138,835 | 144,266 | 138,856 |
| | | | | |
| Operating income | 778,974 | 578,894 | 356,889 | 369,117 |
| | | | | |
| Interest and other income | 3,471 | 1,925 | 1,511 | 1,152 |
| Other expenses | (4,227) | (8,392) | (1,694) | (5,117) |
| Interest: | | | | |
| Expense incurred, net | (167,475) | (203,840) | (81,885) | (108,902) |
| Amortization of deferred financing costs | (4,152) | (5,783) | (2,111) | (3,647) |
| Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels | 606,591 | 362,804 | 272,710 | 252,603 |
| Income and other tax (expense) benefit | (240) | (484) | (187) | (246) |
| Income (loss) from investments in unconsolidated entities | (2,199) | 68,058 | (1,042) | 68,765 |
| Net gain (loss) on sales of land parcels | — | 178 | — | 177 |
| Net income | 604,152 | 430,556 | 271,481 | 321,299 |
| Net (income) loss attributable to Noncontrolling Interests: | | | | |
| Operating Partnership | (21,248) | (15,429) | (9,713) | (11,510) |
| Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Net income attributable to controlling interests | 569,494 | 413,507 | 260,888 | 308,968 |
| Preferred distributions | (1,545) | (1,545) | (772) | (772) |
| Net income available to Common Shares | $ 567,949 | $ 411,962 | $ 260,116 | $ 308,196 |
| | | | | |
| **Earnings per share – basic:** | | | | |
| Net income available to Common Shares | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| Weighted average Common Shares outstanding | 371,689 | 369,952 | 371,795 | 370,342 |
| | | | | |
| **Earnings per share – diluted:** | | | | |
| Net income available to Common Shares | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| Weighted average Common Shares outstanding | 386,272 | 385,644 | 385,913 | 386,107 |

See accompanying notes

**EQUITY RESIDENTIAL**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)**
**(Amounts in thousands except per share data)**
**(Unaudited)**

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Comprehensive income: | | | | |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Other comprehensive income (loss): | | | | |
| Other comprehensive income (loss) – derivative instruments: | | | | |
| Unrealized holding gains (losses) arising during the period | (1,190) | (33,765) | (223) | (19,345) |
| Losses reclassified into earnings from other comprehensive income | 11,398 | 8,902 | 5,764 | 4,509 |
| Other comprehensive income (loss) | 10,208 | (24,863) | 5,541 | (14,836) |
| Comprehensive income | 614,360 | 405,693 | 277,022 | 306,463 |
| Comprehensive (income) attributable to Noncontrolling Interests | (35,026) | (16,150) | (10,792) | (11,797) |
| Comprehensive income attributable to controlling interests | $ 579,334 | $ 389,543 | $ 266,230 | $ 294,666 |

See accompanying notes

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 604,152 | $ 430,556 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | |
| Depreciation | 418,398 | 404,723 |
| Amortization of deferred financing costs | 4,152 | 5,783 |
| Amortization of above/below market lease intangibles | (35) | (35) |
| Amortization of discounts and premiums on debt | 2,553 | 17,795 |
| Amortization of deferred settlements on derivative instruments | 11,392 | 8,896 |
| Amortization of right-of-use assets | 5,892 | 6,952 |
| Write-off of pursuit costs | 3,278 | 2,987 |
| (Income) loss from investments in unconsolidated entities | 2,199 | (68,058) |
| Distributions from unconsolidated entities – return on capital | 100 | 2,387 |
| Net (gain) loss on sales of real estate properties | (352,243) | (138,835) |
| Net (gain) loss on sales of land parcels | — | (178) |
| Realized/unrealized (gain) loss on derivative instruments | 25 | — |
| Compensation paid with Company Common Shares | 13,475 | 16,782 |
| Other operating activities, net | 1,805 | — |
| *Changes in assets and liabilities:* | | |
| (Increase) decrease in other assets | (61,422) | 1,610 |
| Increase (decrease) in accounts payable and accrued expenses | 5,954 | 22,435 |
| Increase (decrease) in accrued interest payable | 737 | 1,536 |
| Increase (decrease) in lease liabilities | (1,199) | (1,171) |
| Increase (decrease) in other liabilities | (18,070) | (25,161) |
| Increase (decrease) in security deposits | (6,057) | 1,769 |
| Net cash provided by operating activities | 635,086 | 690,773 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Investment in real estate – acquisitions | — | (653,132) |
| Investment in real estate – development/other | (95,215) | (93,210) |
| Capital expenditures to real estate | (61,265) | (81,528) |
| Non-real estate capital additions | (15,536) | (1,466) |
| Interest capitalized for real estate under development | (4,102) | (2,679) |
| Proceeds from disposition of real estate, net | 747,600 | 393,439 |
| Investments in unconsolidated entities | (5,626) | (8,572) |
| Distributions from unconsolidated entities – return of capital | — | 78,262 |
| Purchase of investment securities and other investments | (509) | (269) |
| Net cash provided by (used for) investing activities | 565,347 | (369,155) |

See accompanying notes

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

| | Six Months Ended June 30, 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Debt financing costs | $ (2,907) | $ (6,069) |
| *Mortgage notes payable, net:* | | |
| Proceeds | 495,145 | 295,620 |
| Lump sum payoffs | (91,500) | (95,500) |
| Scheduled principal repayments | (3,873) | (3,110) |
| *Notes, net:* | | |
| Proceeds | — | 597,480 |
| *Line of credit and commercial paper:* | | |
| Line of credit proceeds | 1,870,000 | 1,995,000 |
| Line of credit repayments | (1,890,000) | (1,995,000) |
| Commercial paper proceeds | 6,726,167 | 7,775,817 |
| Commercial paper repayments | (7,724,000) | (8,275,000) |
| Proceeds from (payments on) settlement of derivative instruments | (1,215) | (41,616) |
| Proceeds from Employee Share Purchase Plan (ESPP) | 2,359 | 1,652 |
| Proceeds from exercise of options | 11,322 | 48,487 |
| Payment of offering costs | — | (155) |
| Other financing activities, net | (31) | (49) |
| Contributions – Noncontrolling Interests – Partially Owned Properties | 341 | 4,594 |
| Contributions – Noncontrolling Interests – Operating Partnership | 12 | — |
| *Distributions:* | | |
| Common Shares | (435,427) | (409,943) |
| Preferred Shares | (1,545) | (773) |
| Noncontrolling Interests – Operating Partnership | (16,478) | (14,728) |
| Noncontrolling Interests – Partially Owned Properties | (10,269) | (5,170) |
| Net cash provided by (used for) financing activities | (1,071,899) | (128,463) |
| Net increase (decrease) in cash and cash equivalents and restricted deposits | 128,534 | 193,155 |
| Cash and cash equivalents and restricted deposits, beginning of period | 116,999 | 116,313 |
| Cash and cash equivalents and restricted deposits, end of period | $ 245,533 | $ 309,468 |
| | | |
| Cash and cash equivalents and restricted deposits, end of period | | |
| Cash and cash equivalents | $ 187,416 | $ 251,273 |
| Restricted deposits | 58,117 | 58,195 |
| Total cash and cash equivalents and restricted deposits, end of period | $ 245,533 | $ 309,468 |

See accompanying notes

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **SUPPLEMENTAL INFORMATION:** | | |
| Cash paid for interest, net of amounts capitalized | $ 148,164 | $ 171,116 |
| Net cash paid (received) for income and other taxes | $ 428 | $ 754 |
| *Amortization of deferred financing costs:* | | |
| Investment in real estate, net | $ (120) | $ — |
| Other assets | $ 1,169 | $ 1,206 |
| Mortgage notes payable, net | $ 876 | $ 2,344 |
| Notes, net | $ 2,227 | $ 2,233 |
| *Amortization of discounts and premiums on debt:* | | |
| Mortgage notes payable, net | $ 1,191 | $ 16,426 |
| Notes, net | $ 1,362 | $ 1,369 |
| *Amortization of deferred settlements on derivative instruments:* | | |
| Other liabilities | $ (6) | $ (6) |
| Accumulated other comprehensive income | $ 11,398 | $ 8,902 |
| *Write-off of pursuit costs:* | | |
| Investment in real estate, net | $ 3,122 | $ 2,947 |
| Other assets | $ 140 | $ 37 |
| Accounts payable and accrued expenses | $ 16 | $ 3 |
| *(Income) loss from investments in unconsolidated entities:* | | |
| Investments in unconsolidated entities | $ 1,554 | $ (68,735) |
| Other liabilities | $ 645 | $ 677 |
| *Realized/unrealized (gain) loss on derivative instruments:* | | |
| Other assets | $ — | $ 2,002 |
| Notes, net | $ — | $ 2,253 |
| Other liabilities | $ 1,215 | $ 29,510 |
| Accumulated other comprehensive income | $ (1,190) | $ (33,765) |
| *Investments in unconsolidated entities:* | | |
| Investments in unconsolidated entities | $ (4,726) | $ (6,472) |
| Other liabilities | $ (900) | $ (2,100) |
| *Debt financing costs:* | | |
| Other assets | $ (215) | $ 145 |
| Mortgage notes payable, net | $ (2,692) | $ (2,237) |
| Notes, net | $ — | $ (5,213) |
| Other liabilities | $ — | $ 1,236 |
| *Right-of-use assets and lease liabilities initial measurement and reclassifications:* | | |
| Right-of-use assets | $ — | $ (438,705) |
| Other assets | $ — | $ 184,116 |
| Lease liabilities | $ — | $ 282,791 |
| Other liabilities | $ — | $ (28,202) |

See accompanying notes

**EQUITY RESIDENTIAL**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(Amounts in thousands except per share data)**
**(Unaudited)**

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **PREFERRED SHARES** | | | | |
| Balance, beginning of period | $ 37,280 | $ 37,280 | $ 37,280 | $ 37,280 |
| Balance, end of period | $ 37,280 | $ 37,280 | $ 37,280 | $ 37,280 |
| **COMMON SHARES, $0.01 PAR VALUE** | | | | |
| Balance, beginning of period | $ 3,717 | $ 3,694 | $ 3,721 | $ 3,705 |
| Conversion of OP Units into Common Shares | 1 | 2 | 1 | — |
| Exercise of share options | 2 | 10 | — | 3 |
| Share-based employee compensation expense: | | | | |
| Restricted shares | 2 | 2 | — | — |
| Balance, end of period | $ 3,722 | $ 3,708 | $ 3,722 | $ 3,708 |
| **PAID IN CAPITAL** | | | | |
| Balance, beginning of period | $ 8,965,577 | $ 8,935,453 | $ 9,092,441 | $ 8,925,882 |
| Common Share Issuance: | | | | |
| Conversion of OP Units into Common Shares | 3,855 | 4,869 | 2,011 | 84 |
| Exercise of share options | 11,320 | 48,477 | 171 | 18,624 |
| Employee Share Purchase Plan (ESPP) | 2,359 | 1,652 | 1,490 | 526 |
| Share-based employee compensation expense: | | | | |
| Restricted shares | 7,252 | 7,980 | 3,231 | 3,404 |
| Share options | 1,293 | 1,682 | 623 | 889 |
| ESPP discount | 416 | 365 | 263 | 98 |
| Offering costs | — | (155) | — | (155) |
| Supplemental Executive Retirement Plan (SERP) | (506) | (1,539) | (655) | (937) |
| Change in market value of Redeemable Noncontrolling Interests – Operating Partnership | 128,753 | (56,974) | 17,304 | (1,953) |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership | (1,987) | 7,771 | 1,453 | 3,119 |
| Balance, end of period | $ 9,118,332 | $ 8,949,581 | $ 9,118,332 | $ 8,949,581 |
| **RETAINED EARNINGS** | | | | |
| Balance, beginning of period | $ 1,386,495 | $ 1,261,763 | $ 1,469,821 | $ 1,155,032 |
| Net income attributable to controlling interests | 569,494 | 413,507 | 260,888 | 308,968 |
| Common Share distributions | (448,750) | (420,916) | (224,243) | (210,419) |
| Preferred Share distributions | (1,545) | (1,545) | (772) | (772) |
| Balance, end of period | $ 1,505,694 | $ 1,252,809 | $ 1,505,694 | $ 1,252,809 |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Balance, beginning of period | $ (77,563) | $ (64,986) | $ (72,896) | $ (75,013) |
| Accumulated other comprehensive income (loss) – derivative instruments: | | | | |
| Unrealized holding gains (losses) arising during the period | (1,190) | (33,765) | (223) | (19,345) |
| Losses reclassified into earnings from other comprehensive income | 11,398 | 8,902 | 5,764 | 4,509 |
| Balance, end of period | $ (67,355) | $ (89,849) | $ (67,355) | $ (89,849) |
| | | | | |
| **DISTRIBUTIONS** | | | | |
| Distributions declared per Common Share outstanding | $ 1.205 | $ 1.135 | $ 0.6025 | $ 0.5675 |

See accompanying notes

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**EQUITY RESIDENTIAL**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**
**(Amounts in thousands except per share data)**
**(Unaudited)**

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **NONCONTROLLING INTERESTS** | | | | |
| **OPERATING PARTNERSHIP** | | | | |
| Balance, beginning of period | $ 227,837 | $ 228,738 | $ 235,580 | $ 225,081 |
| Issuance of restricted units to Noncontrolling Interests | 12 | — | — | — |
| Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner | (3,856) | (4,871) | (2,012) | (84) |
| Equity compensation associated with Noncontrolling Interests | 7,026 | 10,829 | 1,959 | 2,926 |
| Net income attributable to Noncontrolling Interests | 21,248 | 15,429 | 9,713 | 11,510 |
| Distributions to Noncontrolling Interests | (17,037) | (15,079) | (7,961) | (7,474) |
| Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership | (2,048) | 45 | (657) | (1,520) |
| Adjustment for Noncontrolling Interests ownership in Operating Partnership | 1,987 | (7,771) | (1,453) | (3,119) |
| Balance, end of period | $ 235,169 | $ 227,320 | $ 235,169 | $ 227,320 |
| **PARTIALLY OWNED PROPERTIES** | | | | |
| Balance, beginning of period | $ 1,183 | $ (2,293) | $ 4,739 | $ (5,462) |
| Net income attributable to Noncontrolling Interests | 13,410 | 1,620 | 880 | 821 |
| Contributions by Noncontrolling Interests | 341 | 4,594 | — | 4,594 |
| Distributions to Noncontrolling Interests | (10,300) | (5,219) | (985) | (1,251) |
| Balance, end of period | $ 4,634 | $ (1,298) | $ 4,634 | $ (1,298) |

See accompanying notes

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

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Land | $ 5,789,307 | $ 5,936,188 |
| Depreciable property | 20,997,903 | 21,319,101 |
| Projects under development | 274,825 | 181,630 |
| Land held for development | 102,361 | 96,688 |
| Investment in real estate | 27,164,396 | 27,533,607 |
| Accumulated depreciation | (7,537,713) | (7,276,786) |
| Investment in real estate, net | 19,626,683 | 20,256,821 |
| Investments in unconsolidated entities | 55,310 | 52,238 |
| Cash and cash equivalents | 187,416 | 45,753 |
| Restricted deposits | 58,117 | 71,246 |
| Right-of-use assets | 505,077 | 512,774 |
| Other assets | 282,348 | 233,937 |
| **Total assets** | **$ 20,714,951** | **$ 21,172,769** |
| | | |
| **LIABILITIES AND CAPITAL** | | |
| Liabilities: | | |
| Mortgage notes payable, net | $ 2,340,757 | $ 1,941,610 |
| Notes, net | 6,081,102 | 6,077,513 |
| Line of credit and commercial paper | — | 1,017,833 |
| Accounts payable and accrued expenses | 109,776 | 94,350 |
| Accrued interest payable | 67,589 | 66,852 |
| Lease liabilities | 330,135 | 331,334 |
| Other liabilities | 315,208 | 346,963 |
| Security deposits | 64,005 | 70,062 |
| Distributions payable | 232,208 | 218,326 |
| **Total liabilities** | **9,540,780** | **10,164,843** |
| | | |
| *Commitments and contingencies* | | |
| | | |
| **Redeemable Limited Partners** | **336,695** | **463,400** |
| Capital: | | |
| Partners’ Capital: | | |
| Preference Units | 37,280 | 37,280 |
| General Partner | 10,627,748 | 10,355,789 |
| Limited Partners | 235,169 | 227,837 |
| Accumulated other comprehensive income (loss) | (67,355) | (77,563) |
| Total partners’ capital | 10,832,842 | 10,543,343 |
| Noncontrolling Interests – Partially Owned Properties | 4,634 | 1,183 |
| **Total capital** | **10,837,476** | **10,544,526** |
| **Total liabilities and capital** | **$ 20,714,951** | **$ 21,172,769** |

See accompanying notes

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

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **REVENUES** | | | | |
| Rental income | $ 1,335,837 | $ 1,331,676 | $ 653,532 | $ 669,374 |
| **EXPENSES** | | | | |
| Property and maintenance | 220,268 | 223,531 | 104,452 | 108,461 |
| Real estate taxes and insurance | 192,770 | 182,888 | 95,038 | 91,446 |
| Property management | 51,317 | 50,765 | 23,608 | 24,369 |
| General and administrative | 26,353 | 29,710 | 11,835 | 14,329 |
| Depreciation | 418,398 | 404,723 | 205,976 | 200,508 |
| Total expenses | 909,106 | 891,617 | 440,909 | 439,113 |
| Net gain (loss) on sales of real estate properties | 352,243 | 138,835 | 144,266 | 138,856 |
| Operating income | 778,974 | 578,894 | 356,889 | 369,117 |
| Interest and other income | 3,471 | 1,925 | 1,511 | 1,152 |
| Other expenses | (4,227) | (8,392) | (1,694) | (5,117) |
| Interest: | | | | |
| Expense incurred, net | (167,475) | (203,840) | (81,885) | (108,902) |
| Amortization of deferred financing costs | (4,152) | (5,783) | (2,111) | (3,647) |
| Income before income and other taxes, income (loss) from investments in unconsolidated entities and net gain (loss) on sales of land parcels | 606,591 | 362,804 | 272,710 | 252,603 |
| Income and other tax (expense) benefit | (240) | (484) | (187) | (246) |
| Income (loss) from investments in unconsolidated entities | (2,199) | 68,058 | (1,042) | 68,765 |
| Net gain (loss) on sales of land parcels | — | 178 | — | 177 |
| Net income | 604,152 | 430,556 | 271,481 | 321,299 |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Net income attributable to controlling interests | $ 590,742 | $ 428,936 | $ 270,601 | $ 320,478 |
| **ALLOCATION OF NET INCOME:** | | | | |
| Preference Units | $ 1,545 | $ 1,545 | $ 772 | $ 772 |
| General Partner | $ 567,949 | $ 411,962 | $ 260,116 | $ 308,196 |
| Limited Partners | 21,248 | 15,429 | 9,713 | 11,510 |
| Net income available to Units | $ 589,197 | $ 427,391 | $ 269,829 | $ 319,706 |
| **Earnings per Unit – basic:** | | | | |
| Net income available to Units | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| Weighted average Units outstanding | 384,702 | 382,854 | 384,818 | 383,227 |
| **Earnings per Unit – diluted:** | | | | |
| Net income available to Units | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| Weighted average Units outstanding | 386,272 | 385,644 | 385,913 | 386,107 |

See accompanying notes

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

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Comprehensive income: | | | | |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Other comprehensive income (loss): | | | | |
| Other comprehensive income (loss) – derivative instruments: | | | | |
| Unrealized holding gains (losses) arising during the period | (1,190) | (33,765) | (223) | (19,345) |
| Losses reclassified into earnings from other comprehensive income | 11,398 | 8,902 | 5,764 | 4,509 |
| Other comprehensive income (loss) | 10,208 | (24,863) | 5,541 | (14,836) |
| Comprehensive income | 614,360 | 405,693 | 277,022 | 306,463 |
| Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Comprehensive income attributable to controlling interests | $ 600,950 | $ 404,073 | $ 276,142 | $ 305,642 |

See accompanying notes

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 604,152 | $ 430,556 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | |
| Depreciation | 418,398 | 404,723 |
| Amortization of deferred financing costs | 4,152 | 5,783 |
| Amortization of above/below market lease intangibles | (35) | (35) |
| Amortization of discounts and premiums on debt | 2,553 | 17,795 |
| Amortization of deferred settlements on derivative instruments | 11,392 | 8,896 |
| Amortization of right-of-use assets | 5,892 | 6,952 |
| Write-off of pursuit costs | 3,278 | 2,987 |
| (Income) loss from investments in unconsolidated entities | 2,199 | (68,058) |
| Distributions from unconsolidated entities – return on capital | 100 | 2,387 |
| Net (gain) loss on sales of real estate properties | (352,243) | (138,835) |
| Net (gain) loss on sales of land parcels | — | (178) |
| Realized/unrealized (gain) loss on derivative instruments | 25 | — |
| Compensation paid with Company Common Shares | 13,475 | 16,782 |
| Other operating activities, net | 1,805 | — |
| *Changes in assets and liabilities:* | | |
| (Increase) decrease in other assets | (61,422) | 1,610 |
| Increase (decrease) in accounts payable and accrued expenses | 5,954 | 22,435 |
| Increase (decrease) in accrued interest payable | 737 | 1,536 |
| Increase (decrease) in lease liabilities | (1,199) | (1,171) |
| Increase (decrease) in other liabilities | (18,070) | (25,161) |
| Increase (decrease) in security deposits | (6,057) | 1,769 |
| Net cash provided by operating activities | 635,086 | 690,773 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Investment in real estate – acquisitions | — | (653,132) |
| Investment in real estate – development/other | (95,215) | (93,210) |
| Capital expenditures to real estate | (61,265) | (81,528) |
| Non-real estate capital additions | (15,536) | (1,466) |
| Interest capitalized for real estate under development | (4,102) | (2,679) |
| Proceeds from disposition of real estate, net | 747,600 | 393,439 |
| Investments in unconsolidated entities | (5,626) | (8,572) |
| Distributions from unconsolidated entities – return of capital | — | 78,262 |
| Purchase of investment securities and other investments | (509) | (269) |
| Net cash provided by (used for) investing activities | 565,347 | (369,155) |

See accompanying notes

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Debt financing costs | $ (2,907) | $ (6,069) |
| *Mortgage notes payable, net:* | | |
| Proceeds | 495,145 | 295,620 |
| Lump sum payoffs | (91,500) | (95,500) |
| Scheduled principal repayments | (3,873) | (3,110) |
| *Notes, net:* | | |
| Proceeds | — | 597,480 |
| *Line of credit and commercial paper:* | | |
| Line of credit proceeds | 1,870,000 | 1,995,000 |
| Line of credit repayments | (1,890,000) | (1,995,000) |
| Commercial paper proceeds | 6,726,167 | 7,775,817 |
| Commercial paper repayments | (7,724,000) | (8,275,000) |
| Proceeds from (payments on) settlement of derivative instruments | (1,215) | (41,616) |
| Proceeds from EQR’s Employee Share Purchase Plan (ESPP) | 2,359 | 1,652 |
| Proceeds from exercise of EQR options | 11,322 | 48,487 |
| Payment of offering costs | — | (155) |
| Other financing activities, net | (31) | (49) |
| Contributions – Noncontrolling Interests – Partially Owned Properties | 341 | 4,594 |
| Contributions – Limited Partners | 12 | — |
| *Distributions:* | | |
| OP Units – General Partner | (435,427) | (409,943) |
| Preference Units | (1,545) | (773) |
| OP Units – Limited Partners | (16,478) | (14,728) |
| Noncontrolling Interests – Partially Owned Properties | (10,269) | (5,170) |
| Net cash provided by (used for) financing activities | (1,071,899) | (128,463) |
| Net increase (decrease) in cash and cash equivalents and restricted deposits | 128,534 | 193,155 |
| Cash and cash equivalents and restricted deposits, beginning of period | 116,999 | 116,313 |
| Cash and cash equivalents and restricted deposits, end of period | $ 245,533 | $ 309,468 |
| | | |
| Cash and cash equivalents and restricted deposits, end of period | | |
| Cash and cash equivalents | $ 187,416 | $ 251,273 |
| Restricted deposits | 58,117 | 58,195 |
| Total cash and cash equivalents and restricted deposits, end of period | $ 245,533 | $ 309,468 |

See accompanying notes

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **SUPPLEMENTAL INFORMATION:** | | |
| Cash paid for interest, net of amounts capitalized | $ 148,164 | $ 171,116 |
| Net cash paid (received) for income and other taxes | $ 428 | $ 754 |
| *Amortization of deferred financing costs:* | | |
| Investment in real estate, net | $ (120) | $ — |
| Other assets | $ 1,169 | $ 1,206 |
| Mortgage notes payable, net | $ 876 | $ 2,344 |
| Notes, net | $ 2,227 | $ 2,233 |
| *Amortization of discounts and premiums on debt:* | | |
| Mortgage notes payable, net | $ 1,191 | $ 16,426 |
| Notes, net | $ 1,362 | $ 1,369 |
| *Amortization of deferred settlements on derivative instruments:* | | |
| Other liabilities | $ (6) | $ (6) |
| Accumulated other comprehensive income | $ 11,398 | $ 8,902 |
| *Write-off of pursuit costs:* | | |
| Investment in real estate, net | $ 3,122 | $ 2,947 |
| Other assets | $ 140 | $ 37 |
| Accounts payable and accrued expenses | $ 16 | $ 3 |
| *(Income) loss from investments in unconsolidated entities:* | | |
| Investments in unconsolidated entities | $ 1,554 | $ (68,735) |
| Other liabilities | $ 645 | $ 677 |
| *Realized/unrealized (gain) loss on derivative instruments:* | | |
| Other assets | $ — | $ 2,002 |
| Notes, net | $ — | $ 2,253 |
| Other liabilities | $ 1,215 | $ 29,510 |
| Accumulated other comprehensive income | $ (1,190) | $ (33,765) |
| *Investments in unconsolidated entities:* | | |
| Investments in unconsolidated entities | $ (4,726) | $ (6,472) |
| Other liabilities | $ (900) | $ (2,100) |
| *Debt financing costs:* | | |
| Other assets | $ (215) | $ 145 |
| Mortgage notes payable, net | $ (2,692) | $ (2,237) |
| Notes, net | $ — | $ (5,213) |
| Other liabilities | $ — | $ 1,236 |
| *Right-of-use assets and lease liabilities initial measurement and reclassifications:* | | |
| Right-of-use assets | $ — | $ (438,705) |
| Other assets | $ — | $ 184,116 |
| Lease liabilities | $ — | $ 282,791 |
| Other liabilities | $ — | $ (28,202) |

See accompanying notes

**ERP OPERATING LIMITED PARTNERSHIP**
**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL**
**(Amounts in thousands except per Unit data)**
**(Unaudited)**

| | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | Quarter Ended June 30, 2020 | Quarter Ended June 30, 2019 |
|---|---|---|---|---|
| **PARTNERS' CAPITAL** | | | | |
| **PREFERENCE UNITS** | | | | |
| Balance, beginning of period | $ 37,280 | $ 37,280 | $ 37,280 | $ 37,280 |
| Balance, end of period | $ 37,280 | $ 37,280 | $ 37,280 | $ 37,280 |
| **GENERAL PARTNER** | | | | |
| Balance, beginning of period | $ 10,355,789 | $ 10,200,910 | $ 10,565,983 | $ 10,084,619 |
| OP Unit Issuance: | | | | |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | 3,856 | 4,871 | 2,012 | 84 |
| Exercise of EQR share options | 11,322 | 48,487 | 171 | 18,627 |
| EQR's Employee Share Purchase Plan (ESPP) | 2,359 | 1,652 | 1,490 | 526 |
| Share-based employee compensation expense: | | | | |
| EQR restricted shares | 7,254 | 7,982 | 3,231 | 3,404 |
| EQR share options | 1,293 | 1,682 | 623 | 889 |
| EQR ESPP discount | 416 | 365 | 263 | 98 |
| Net income available to Units – General Partner | 567,949 | 411,962 | 260,116 | 308,196 |
| OP Units – General Partner distributions | (448,750) | (420,916) | (224,243) | (210,419) |
| Offering costs | — | (155) | — | (155) |
| Supplemental Executive Retirement Plan (SERP) | (506) | (1,539) | (655) | (937) |
| Change in market value of Redeemable Limited Partners | 128,753 | (56,974) | 17,304 | (1,953) |
| Adjustment for Limited Partners ownership in Operating Partnership | (1,987) | 7,771 | 1,453 | 3,119 |
| Balance, end of period | $ 10,627,748 | $ 10,206,098 | $ 10,627,748 | $ 10,206,098 |
| **LIMITED PARTNERS** | | | | |
| Balance, beginning of period | $ 227,837 | $ 228,738 | $ 235,580 | $ 225,081 |
| Issuance of restricted units to Limited Partners | 12 | — | — | — |
| Conversion of OP Units held by Limited Partners into OP Units held by General Partner | (3,856) | (4,871) | (2,012) | (84) |
| Equity compensation associated with Units – Limited Partners | 7,026 | 10,829 | 1,959 | 2,926 |
| Net income available to Units – Limited Partners | 21,248 | 15,429 | 9,713 | 11,510 |
| Units – Limited Partners distributions | (17,037) | (15,079) | (7,961) | (7,474) |
| Change in carrying value of Redeemable Limited Partners | (2,048) | 45 | (657) | (1,520) |
| Adjustment for Limited Partners ownership in Operating Partnership | 1,987 | (7,771) | (1,453) | (3,119) |
| Balance, end of period | $ 235,169 | $ 227,320 | $ 235,169 | $ 227,320 |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Balance, beginning of period | $ (77,563) | $ (64,986) | $ (72,896) | $ (75,013) |
| Accumulated other comprehensive income (loss) – derivative instruments: | | | | |
| Unrealized holding gains (losses) arising during the period | (1,190) | (33,765) | (223) | (19,345) |
| Losses reclassified into earnings from other comprehensive income | 11,398 | 8,902 | 5,764 | 4,509 |
| Balance, end of period | $ (67,355) | $ (89,849) | $ (67,355) | $ (89,849) |
| **DISTRIBUTIONS** | | | | |
| Distributions declared per Unit outstanding | $ 1.205 | $ 1.135 | $ 0.6025 | $ 0.5675 |

See accompanying notes

**ERP OPERATING LIMITED PARTNERSHIP**
**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (Continued)**
**(Amounts in thousands except per Unit data)**
**(Unaudited)**

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **NONCONTROLLING INTERESTS** | | | | |
| **NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES** | | | | |
| Balance, beginning of period | $ 1,183 | $ (2,293) | $ 4,739 | $ (5,462) |
| Net income attributable to Noncontrolling Interests | 13,410 | 1,620 | 880 | 821 |
| Contributions by Noncontrolling Interests | 341 | 4,594 | — | 4,594 |
| Distributions to Noncontrolling Interests | (10,300) | (5,219) | (985) | (1,251) |
| Balance, end of period | $ 4,634 | $ (1,298) | $ 4,634 | $ (1,298) |

See accompanying notes

**EQUITY RESIDENTIAL**
**ERP OPERATING LIMITED PARTNERSHIP**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Business

Equity Residential ("EQR") is an S&P 500 company focused on the acquisition, development and management of rental apartment properties located in urban and high-density suburban communities, a business that is conducted on its behalf by ERP Operating Limited Partnership ("ERPOP"). EQR is a Maryland real estate investment trust ("REIT") formed in March 1993 and ERPOP is an Illinois limited partnership formed in May 1993. References to the "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the "Operating Partnership" mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. Unless otherwise indicated, the notes to consolidated financial statements apply to both the Company and the Operating Partnership.

EQR is the general partner of, and as of June 30, 2020 owned an approximate 96.4% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

As of June 30, 2020, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 304 properties located in 9 states and the District of Columbia consisting of 78,410 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

| | Properties | Apartment Units |
|---|---|---|
| Wholly Owned Properties | 287 | 74,849 |
| Master-Leased Property – Consolidated | 1 | 162 |
| Partially Owned Properties – Consolidated | 16 | 3,399 |
| | 304 | 78,410 |

## 2. Summary of Significant Accounting Policies

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

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. In response to the novel coronavirus ("COVID-19") pandemic, management evaluated whether its estimates, such as lease collectibility (see discussion below) and impairment, required revised approaches and generally concluded that no revisions were necessary at this time.

The balance sheets at December 31, 2019 have been derived from the audited financial statements at that date but do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019.

*Income and Other Taxes*

EQR has elected to be taxed as a REIT. This, along with the nature of the operations of its operating properties, resulted in no provision for federal income taxes at the EQR level. In addition, ERPOP generally is not liable for federal income taxes as the partners recognize their allocable 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.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act was enacted to provide economic relief to companies and individuals in response to the COVID-19 pandemic. Included in the CARES Act are tax provisions which increase allowable interest expense deductions for 2019 and 2020 and increase the ability for taxpayers to use net operating losses. While we do not expect these provisions to result in a material impact to the Company's taxable income or tax liabilities, the Company will continue to analyze the provisions of the CARES Act and related guidance as it is published.

The CARES Act also allows corporations to request accelerated refunds of their alternative minimum tax ("AMT") credit. Prior to enactment of this provision, the remaining credits would have been refunded in installments in 2020, 2021 and 2022. We have filed a claim and expect to receive a refund of our remaining $1.6 million of AMT credit in 2020.

*Recently Issued Accounting Pronouncements*

In March 2020, the Financial Accounting Standards Board ("FASB") issued an amendment to the reference rate reform standard which provides the option for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on contract modifications and hedge accounting. An example of such reform is the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. Entities that make this optional expedient election would not have to remeasure the contracts at the modification date or reassess the accounting treatment if certain criteria are met and would continue applying hedge accounting for relationships affected by reference rate reform. The new standard was effective for the Company upon issuance and elections can be made through December 31, 2022. The Company is currently evaluating its options with regards to existing contracts and hedging relationships and the impact of adopting this update on its consolidated results of operations and financial position.

*Recently Adopted Accounting Pronouncements*

In April 2020, a FASB staff question and answer document was issued which intended to reduce the challenges of evaluating the enforceable rights and obligations of leases for concessions granted to lessees in response to the COVID-19 pandemic. We elected not to evaluate whether qualifying concessions provided by the Company in response to the COVID-19 pandemic are a lease modification, subject to the criteria that the total payments under the amended lease cannot result in a substantial increase in the rights of the lessor or obligations of the lessee. We also elected to treat the concessions as though they were contemplated as part of the existing contracts and therefore will not apply lease modification rules to the qualifying lease concession amendments. As such, deferrals deemed collectible are recorded as rental receivables with no change to timing of rental revenues and deferrals deemed non-collectible and abatements reduce rental revenues in the deferral/abatement period and cause rental revenues to effectively follow a cash basis related to the changes. The accounting elections provided by the FASB mainly apply to the Company's non-residential leases and the majority of the amendments will not require a straight-line adjustment. During the quarter ended June 30, 2020, we have granted rent payment deferrals/abatements to our non-residential tenants of $4.5 million, of which $4.1 million reduced rental revenues.

In June 2016, the FASB issued a 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 requires entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. In November 2018, the FASB issued an amendment excluding operating lease receivables accounted for under the leases standard from the scope of the credit losses standard. The Company adopted this standard as required effective January 1, 2020 and it did not have a material effect on its consolidated results of operations and financial position.

In February 2016, the FASB issued a lease standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). The Company adopted this standard as required effective January 1, 2019 using a modified retrospective method and the Company applied the guidance as of the adoption date and elected certain practical expedients, as described below. The standard impacted our consolidated balance sheets but did not impact our consolidated statements of operations. Right-of-use ("ROU") assets and lease liabilities where the Company is the lessee were recognized for various corporate office leases and ground leases. The Company recorded ROU assets and related lease liabilities to its opening balance sheet upon adoption on January 1, 2019 of $434.2 million and $278.3 million, respectively.

The Company elected the practical expedient to not reassess the classification of existing operating leases. As of January 1, 2019, any new or modified ground leases may be classified as financing leases unless they meet certain conditions. When there is a material lease modification, the Company is required to reassess the classification and remeasure the lease liability. The Company also elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard. See Note 8 for additional discussion regarding the lease standard.

In August 2017, the FASB issued a final standard which makes changes to the hedge accounting model to enable entities to better portray their risk management activities in the financial statements. The standard expands an entity's ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk and eases certain documentation and assessment requirements. The standard also eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of any hedging instrument to be presented in the same income statement line as the hedged instrument. The Company adopted this standard as required effective January 1, 2019 and it did not have a material effect on its consolidated results of operations and financial position.

## 3. Equity, Capital and Other Interests

The Company refers to "Common Shares" and "Units" (which refer to both OP Units and restricted units) as equity securities for EQR and "General Partner Units" and "Limited Partner Units" as equity securities for ERPOP. To provide a streamlined and more readable presentation of the disclosures for the Company and the Operating Partnership, several sections below refer to the respective terminology for each with the same financial information and separate sections are provided, where needed, to further distinguish any differences in financial information and terminology.

The following table presents the changes in the Company's issued and outstanding Common Shares and Units for the six months ended June 30, 2020 and 2019:

| | *2020* | *2019* |
|---|---|---|
| **Common Shares** | | |
| Common Shares outstanding at January 1, | 371,670,884 | 369,405,161 |
| Common Shares Issued: | | |
| Conversion of OP Units | 97,363 | 188,406 |
| Exercise of share options | 217,935 | 1,059,674 |
| Employee Share Purchase Plan (ESPP) | 44,110 | 27,131 |
| Restricted share grants, net | 178,720 | 158,438 |
| **Common Shares outstanding at June 30,** | **372,209,012** | **370,838,810** |
| **Units** | | |
| Units outstanding at January 1, | 13,731,315 | 13,904,035 |
| Restricted unit grants, net | 245,999 | 140,055 |
| Conversion of OP Units to Common Shares | (97,363) | (188,406) |
| **Units outstanding at June 30,** | **13,879,951** | **13,855,684** |
| **Total Common Shares and Units outstanding at June 30,** | **386,088,963** | **384,694,494** |
| Units Ownership Interest in Operating Partnership | 3.6% | 3.6% |

The following table presents the changes in the Operating Partnership's issued and outstanding General Partner Units and Limited Partner Units for the six months ended June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| **General and Limited Partner Units** | | |
| General and Limited Partner Units outstanding at January 1, | 385,402,199 | 383,309,196 |
| Issued to General Partner: | | |
| Exercise of EQR share options | 217,935 | 1,059,674 |
| EQR's Employee Share Purchase Plan (ESPP) | 44,110 | 27,131 |
| EQR's restricted share grants, net | 178,720 | 158,438 |
| Issued to Limited Partners: | | |
| Restricted unit grants, net | 245,999 | 140,055 |
| **General and Limited Partner Units outstanding at June 30,** | **386,088,963** | **384,694,494** |
| **Limited Partner Units** | | |
| Limited Partner Units outstanding at January 1, | 13,731,315 | 13,904,035 |
| Limited Partner restricted unit grants, net | 245,999 | 140,055 |
| Conversion of Limited Partner OP Units to EQR Common Shares | (97,363) | (188,406) |
| **Limited Partner Units outstanding at June 30,** | **13,879,951** | **13,855,684** |
| Limited Partner Units Ownership Interest in Operating Partnership | 3.6% | 3.6% |

The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of restricted units, are collectively referred to as the "Noncontrolling Interests – Operating Partnership" and "Limited Partners Capital," respectively, for the Company and the Operating Partnership. Subject to certain exceptions (including the "book-up" requirements of restricted units), the Noncontrolling Interests – Operating Partnership/Limited Partners Capital may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Noncontrolling Interests – Operating Partnership/Limited Partners Capital (including redeemable interests) is allocated based on the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total in proportion to the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total plus the total number of Common Shares/General Partner Units. Net income is allocated to the Noncontrolling Interests – Operating Partnership/Limited Partners Capital 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/Limited Partners Capital requesting an exchange of their Noncontrolling Interests – Operating Partnership/Limited Partners Capital with EQR. Once the Operating Partnership elects not to redeem the Noncontrolling Interests – Operating Partnership/Limited Partners Capital for cash, EQR is obligated to deliver Common Shares to the exchanging holder of the Noncontrolling Interests – Operating Partnership/Limited Partners Capital.

The Noncontrolling Interests – Operating Partnership/Limited Partners Capital 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/Limited Partners Capital are differentiated and referred to as "Redeemable Noncontrolling Interests – Operating Partnership" and "Redeemable Limited Partners," respectively. 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/Redeemable Limited Partners 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/Limited Partners Capital that are classified in permanent equity at June 30, 2020 and December 31, 2019.

The carrying value of the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners is allocated based on the number of Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners in proportion to the number of Noncontrolling Interests – Operating Partnership/Limited Partners Capital in total. Such percentage of the total carrying value of Units/Limited Partner Units which is ascribed to the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners is then adjusted to the greater of carrying value or fair market value as described above. As of June 30, 2020 and 2019, the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners have a redemption value of approximately $336.7 million and $436.0 million, respectively, which represents the value of Common Shares that would be issued in exchange for the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners.

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners for the six months ended June 30, 2020 and 2019 (amounts in thousands):

| | *2020* | *2019* |
|---|---|---|
| Balance at January 1, | $ 463,400 | $ 379,106 |
| Change in market value | (128,753) | 56,974 |
| Change in carrying value | 2,048 | (45) |
| Balance at June 30, | $ 336,695 | $ 436,035 |

Net proceeds from EQR Common Share and Preferred Share (see definition below) offerings and proceeds from exercise of options for Common Shares 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 proceeds from Common Shares and Preferred Shares are allocated for the Company between shareholders' equity and Noncontrolling Interests – Operating Partnership and for the Operating Partnership between General Partner's Capital and Limited Partners Capital to account for the change in their respective percentage ownership of the underlying equity.

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/Preference Units as of June 30, 2020 and December 31, 2019:

| | | | *Amounts in thousands* | |
|---|---|---|---|---|
| | *Call Date (1)* | *Annual Dividend Per Share/Unit (2)* | *June 30, 2020* | *December 31, 2019* |
| Preferred Shares/Preference Units of beneficial interest, $0.01 par value; 100,000,000 shares authorized: | | | | |
| 8.29% Series K Cumulative Redeemable Preferred Shares/Preference Units; liquidation value $50 per share/unit; 745,600 shares/units issued and outstanding as of June 30, 2020 and December 31, 2019 | 12/10/26 | $ 4.145 | $ 37,280 | $ 37,280 |
| | | | $ 37,280 | $ 37,280 |

(1) On or after the call date, redeemable Preferred Shares/Preference Units may be redeemed for cash at the option of the Company or the Operating Partnership, respectively, in whole or in part, at a redemption price equal to the liquidation price per share/unit, plus accrued and unpaid distributions, if any.

(2) Dividends on Preferred Shares/Preference Units are payable quarterly.

*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 in June 2019 and expires in June 2022. 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 has an At-The-Market ("ATM") share offering program which allows EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. In June 2019, the Company extended the program maturity to June 2022. In connection with the extension, the Company may now also sell Common Shares under forward sale agreements. The use of a forward sale agreement would allow the Company to lock in a price on the sale of Common Shares at the time the agreement is executed, but defer receiving the proceeds from the sale until a later date. 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 open market repurchases have occurred since 2008, and no repurchases of any kind have occurred since February 2014. As of June 30, 2020, EQR has remaining authorization to repurchase up to 13.0 million of its shares.

**4. Real Estate**

The following table summarizes the carrying amounts for the Company's investment in real estate (at cost) as of June 30, 2020 and December 31, 2019 (amounts in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Land | $ 5,789,307 | $ 5,936,188 |
| Depreciable property: | | |
| Buildings and improvements | 18,574,877 | 18,904,686 |
| Furniture, fixtures and equipment | 1,936,039 | 1,916,458 |
| In-Place lease intangibles | 486,987 | 497,957 |
| Projects under development: | | |
| Land | 23,531 | 23,531 |
| Construction-in-progress | 251,294 | 158,099 |
| Land held for development: | | |
| Land | 64,460 | 64,460 |
| Construction-in-progress | 37,901 | 32,228 |
| Investment in real estate | 27,164,396 | 27,533,607 |
| Accumulated depreciation | (7,537,713) | (7,276,786) |
| Investment in real estate, net | $ 19,626,683 | $ 20,256,821 |

During the six months ended June 30, 2020, the Company disposed of the following to unaffiliated parties (sales price in thousands):

| | Properties | Apartment Units | Sales Price |
|---|---|---|---|
| Rental Properties – Consolidated | 5 | 1,552 | $ 754,361 |
| Total | 5 | 1,552 | $ 754,361 |

The Company recognized a net gain on sales of real estate properties of approximately $352.2 million on the above sales.

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

The Company has not entered into any agreements to acquire rental properties or land parcels as of the date of filing.

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

| | Properties | Apartment Units | Sales Price | Net Book Value |
|---|---|---|---|---|
| Land Parcels (two) | — | — | $ 55,150 | $ 19,445 |
| Total | — | — | $ 55,150 | $ 19,445 |

The closing of pending transactions is subject to certain conditions and restrictions; therefore, there can be no assurance that the transactions will be consummated or that the final terms will not differ in material respects from any agreements summarized above. See Note 14 for discussion of the properties acquired or disposed of, if any, subsequent to June 30, 2020.

## 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).

*Consolidated Variable Interest Entities ("VIEs")*

In accordance with accounting standards for consolidation of VIEs, the Company consolidates ERPOP on EQR's financial statements. 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.

The Company has various equity interests in certain joint ventures owning 16 properties containing 3,399 apartment units. The Company is the general partner or managing member of these joint ventures and is responsible for managing the operations and affairs of the joint ventures as well as making all decisions regarding the businesses of the joint ventures. The limited partners or non-managing members are not able to exercise substantive kick-out or participating rights. As a result, the joint ventures 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 joint ventures are required to be consolidated on the Company's financial statements.

The Company also has entered into two separate consolidated joint ventures which each own land parcels that are being/will be developed into multifamily rental properties. These joint ventures have been deemed to be VIEs and are consolidated due to the Company being the primary beneficiary.

The consolidated assets and liabilities related to the VIEs discussed above were approximately $753.7 million and $236.6 million, respectively, at June 30, 2020 and approximately $754.7 million and $323.1 million, respectively, at December 31, 2019.

*Investments in Unconsolidated Entities*

The following table and information summarizes the Company's investments in unconsolidated entities, which are accounted for under the equity method of accounting as the requirements for consolidation are not met, as of June 30, 2020 and December 31, 2019 (amounts in thousands except for ownership percentage):

| | *June 30, 2020* | *December 31, 2019* | *Ownership Percentage* |
|---|---|---|---|
| Investments in Unconsolidated Entities: | | | |
| Operating Property (VIE) (1) | $ 39,385 | $ 40,361 | 33.3% |
| Real Estate Technology/Other | 15,925 | 11,877 | Varies |
| Investments in Unconsolidated Entities | $ 55,310 | $ 52,238 | |

(1) Represents an unconsolidated interest in an entity that owns the land underlying one of the consolidated joint venture properties noted above and owns and operates a related parking facility. 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.

**7. Restricted Deposits**

The following table presents the Company's restricted deposits as of June 30, 2020 and December 31, 2019 (amounts in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Mortgage escrow deposits: | | |
| Replacement reserves | $ 9,233 | $ 8,543 |
| Mortgage principal reserves/sinking funds | 11,895 | 9,689 |
| Mortgage escrow deposits | 21,128 | 18,232 |
| Restricted cash: | | |
| Tax-deferred (1031) exchange proceeds | — | 14,232 |
| Restricted deposits on real estate investments | 747 | 658 |
| Resident security and utility deposits | 34,869 | 37,140 |
| Other | 1,373 | 984 |
| Restricted cash | 36,989 | 53,014 |
| Restricted deposits | $ 58,117 | $ 71,246 |

**8. Leases**

*Lessor Accounting*

The Company is the lessor for its residential and non-residential leases and these leases will continue to be accounted for as operating leases under the standard as described in Note 2.

For the six months ended June 30, 2020, approximately 97.6% of the Company's total lease revenue is generated from residential apartment leases that are generally twelve months or less in length. The residential apartment leases may include lease income related to such items as utility recoveries, parking, storage and pet rent that the Company treats as a single lease component because the amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore the Company subsequently recognizes lease income over the lease term on a straight-line basis. Residential leases are renewable upon consent of both parties on an annual or monthly basis.

For the six months ended June 30, 2020, approximately 2.4% of the Company's total lease revenue is generated by non-residential leases that are generally for terms ranging between five to ten years. The non-residential leases generally consist of ground floor retail spaces and master-leased parking garages that serve as additional amenities for our residents. The non-residential leases may include lease income related to such items as utility recoveries, parking rent and storage rent that the Company treats as a single lease component because the amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore the Company subsequently recognizes lease income over the lease term on a straight-line basis. Non-residential leases are renewable with market-based renewal options.

The following table presents the lease income types relating to lease payments for residential and non-residential leases along with the total other rental income for the six months and quarter ended June 30, 2020 (amounts in thousands):

| | Six Months Ended June 30, 2020 | | | Quarter Ended June 30, 2020 | | |
|---|---|---|---|---|---|---|
| Income Type | Residential Leases | Non-Residential Leases | Total | Residential Leases | Non-Residential Leases | Total |
| Residential and non-residential rent | $ 1,207,106 | $ 30,221 | $ 1,237,327 | $ 594,626 | $ 12,127 | $ 606,753 |
| Utility recoveries (RUBS income) (1) | 35,232 | 375 | 35,607 | 17,814 | 147 | 17,961 |
| Parking rent | 19,460 | 223 | 19,683 | 9,627 | 126 | 9,753 |
| Storage rent | 1,913 | 40 | 1,953 | 951 | 21 | 972 |
| Pet rent | 5,740 | — | 5,740 | 2,839 | — | 2,839 |
| Total lease revenue | $ 1,269,451 | $ 30,859 | 1,300,310 | $ 625,857 | $ 12,421 | 638,278 |
| Total other rental income (2) | | | 35,527 | | | 15,254 |
| Rental income | | | $ 1,335,837 | | | $ 653,532 |

(1) RUBS income primarily consists of variable payments representing the recovery of utility costs from residents.

(2) Other rental income is accounted for under the revenue recognition standard.

The following table presents the lease income types relating to lease payments for residential and non-residential leases along with the total other rental income for the six months and quarter ended June 30, 2019 (amounts in thousands):

| | Six Months Ended June 30, 2019 | | | Quarter Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| Income Type | Residential Leases | Non-Residential Leases | Total | Residential Leases | Non-Residential Leases | Total |
| Residential and non-residential rent | $ 1,190,729 | $ 36,163 | $ 1,226,892 | $ 598,209 | $ 17,693 | $ 615,902 |
| Utility recoveries (RUBS income) (1) | 33,303 | 412 | 33,715 | 16,858 | 209 | 17,067 |
| Parking rent | 18,469 | 159 | 18,628 | 9,332 | 87 | 9,419 |
| Storage rent | 1,856 | 32 | 1,888 | 937 | (12) | 925 |
| Pet rent | 5,798 | — | 5,798 | 2,911 | — | 2,911 |
| Total lease revenue | $ 1,250,155 | $ 36,766 | 1,286,921 | $ 628,247 | $ 17,977 | 646,224 |
| Total other rental income (2) | | | 44,755 | | | 23,150 |
| Rental income | | | $ 1,331,676 | | | $ 669,374 |

(1) RUBS income primarily consists of variable payments representing the recovery of utility costs from residents.

(2) Other rental income is accounted for under the revenue recognition standard.

## 9. Debt

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. Weighted average interest rates noted below for the six months ended June 30, 2020 include the effect of any derivative instruments and amortization of premiums/discounts/OCI (other comprehensive income) on debt and derivatives.

*Mortgage Notes Payable*

The following table summarizes the Company's mortgage notes payable activity for the six months ended June 30, 2020 (amounts in thousands):

| | Mortgage notes payable, net as of December 31, 2019 | Proceeds | Lump sum payoffs | Scheduled principal repayments | Amortization of premiums/ discounts | Amortization of deferred financing costs, net (1) | Mortgage notes payable, net as of June 30, 2020 |
|---|---|---|---|---|---|---|---|
| Fixed Rate Debt: | | | | | | | |
| Secured – Conventional | $ 1,574,699 | $ 495,000 (2) | $ (91,500) | $ (3,873) | $ 571 | $ (2,035) | $ 1,972,862 |
| Floating Rate Debt: | | | | | | | |
| Secured – Conventional | 7,050 | 145 | — | — | — | 120 | 7,315 |
| Secured – Tax Exempt | 359,861 | — | — | — | 620 | 99 | 360,580 |
| Floating Rate Debt | 366,911 | 145 | — | — | 620 | 219 | 367,895 |
| Total | $ 1,941,610 | $ 495,145 | $ (91,500) | $ (3,873) | $ 1,191 | $ (1,816) | $ 2,340,757 |

(1) Represents amortization of deferred financing costs, net of debt financing costs.

(2) Obtained a 2.60% fixed rate mortgage loan pool maturing on May 1, 2030.

The following table summarizes the Company's debt extinguishment costs on mortgages recorded as additional interest expense during the six months ended June 30, 2020 (amounts in thousands):

| Description | Amount |
|---|---|
| Write-offs of unamortized deferred financing costs | $ 32 |

The following table summarizes certain interest rate and maturity date information as of and for the six months ended June 30, 2020:

| | June 30, 2020 |
|---|---|
| Interest Rate Ranges | 0.07% - 5.29% |
| Weighted Average Interest Rate | 3.51% |
| Maturity Date Ranges | 2020-2061 |

As of June 30, 2020, the Company had $281.7 million of secured debt (primarily tax-exempt bonds) subject to third party credit enhancement.

*Notes*

The following table summarizes the Company's notes activity for the six months ended June 30, 2020 (amounts in thousands):

| | Notes, net as of December 31, 2019 | Proceeds | Lump sum payoffs | Amortization of premiums/ discounts | Amortization of deferred financing costs, net (1) | Notes, net as of June 30, 2020 |
|---|---|---|---|---|---|---|
| Fixed Rate Debt: | | | | | | |
| Unsecured – Public | $ 6,077,513 | $ — | $ — | $ 1,362 | $ 2,227 | $ 6,081,102 |

(1) Represents amortization of deferred financing costs, net of debt financing costs.

The following table summarizes certain interest rate and maturity date information as of and for the six months ended June 30, 2020:

| | June 30, 2020 |
|---|---|
| Interest Rate Ranges | 2.50% - 7.57% |
| Weighted Average Interest Rate | 4.06% |
| Maturity Date Ranges | 2021-2047 |

The Company's unsecured public notes contain 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 the six months ended June 30, 2020.

*Line of Credit and Commercial Paper*

On November 1, 2019, the Company replaced its existing $2.0 billion facility with a $2.5 billion unsecured revolving credit facility maturing November 1, 2024. The Company has the ability to increase available borrowings by an additional $750.0 million by adding lenders to the facility, obtaining the agreement of existing lenders to increase their commitments or incurring one or more term loans. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 0.775%), or based on bids received from the lending group, and the Company pays an annual facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating. The weighted average interest rate on the revolving credit facility was 1.47% for the six months ended June 30, 2020.

The Company has an unsecured commercial paper note program in the United States. On November 4, 2019, the Company increased the maximum aggregate amount outstanding for the commercial paper program from $500.0 million to $1.0 billion. The notes will be sold under customary terms in the United States commercial paper note market subject to market conditions and will rank pari passu with all of the Company's other unsecured senior indebtedness. The notes bear interest at various floating rates with a weighted average interest rate of 1.81% for the six months ended June 30, 2020. The weighted average amount outstanding for the six months ended June 30, 2020 was approximately $522.7 million.

The Company limits its utilization of the revolving credit facility in order to maintain liquidity to support its $1.0 billion commercial paper program along with certain other obligations. The following table presents the availability on the Company's unsecured revolving credit facility as of June 30, 2020 (amounts in thousands):

| | June 30, 2020 |
|---|---|
| Unsecured revolving credit facility commitment | $ 2,500,000 |
| Commercial paper balance outstanding | — |
| Unsecured revolving credit facility balance outstanding | — |
| Other restricted amounts | (100,949) |
| Unsecured revolving credit facility availability | $ 2,399,051 |

## 10. 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 may seek to manage these risks by following established risk management policies and procedures including the use of derivatives to hedge interest rate risk on debt instruments. The Company may also use derivatives to manage commodity prices in the daily operations of the business.

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

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's derivative positions are valued using models developed by the respective counterparty as well as models applied internally by the Company that use as their inputs 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 and line of credit, if applicable) 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 line of credit, if applicable) and quoted market prices for each underlying issuance in the case of the public unsecured notes.

The fair values of the Company's financial instruments (other than mortgage notes payable, unsecured notes, commercial paper, line of credit and derivative instruments), including cash and cash equivalents and other financial instruments, approximate their carrying or contract value. The following table provides a summary of the carrying and fair values for the Company's mortgage notes payable and unsecured debt (including its commercial paper and line of credit, if applicable) at June 30, 2020 and December 31, 2019, respectively (amounts in thousands):

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value (Level 2) | Carrying Value | Estimated Fair Value (Level 2) |
| Mortgage notes payable, net | $ 2,340,757 | $ 2,370,036 | $ 1,941,610 | $ 1,930,710 |
| Unsecured debt, net | 6,081,102 | 7,012,755 | 7,095,346 | 7,677,289 |
| Total debt, net | $ 8,421,859 | $ 9,382,791 | $ 9,036,956 | $ 9,607,999 |

The following tables provide a summary of the fair value measurements for each major category of assets and liabilities measured at fair value on a recurring basis and the location within the accompanying consolidated balance sheets at June 30, 2020 and December 31, 2019, respectively (amounts in thousands):

| Description | Balance Sheet Location | 6/30/2020 | Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|
| ***Assets*** | | | | | |
| Supplemental Executive Retirement Plan | Other Assets | $ 139,649 | $ 139,649 | $ — | $ — |
| ***Liabilities*** | | | | | |
| Supplemental Executive Retirement Plan | Other Liabilities | $ 139,649 | $ 139,649 | $ — | $ — |
| Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners | Mezzanine | $ 336,695 | $ — | $ 336,695 | $ — |

| Description | Balance Sheet Location | 12/31/2019 | Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|
| ***Assets*** | | | | | |
| Supplemental Executive Retirement Plan | Other Assets | $ 151,889 | $ 151,889 | $ — | $ — |
| ***Liabilities*** | | | | | |
| Supplemental Executive Retirement Plan | Other Liabilities | $ 151,889 | $ 151,889 | $ — | $ — |
| Redeemable Noncontrolling Interests – Operating Partnership/Redeemable Limited Partners | Mezzanine | $ 463,400 | $ — | $ 463,400 | $ — |

The following tables provide a summary of the effect of fair value hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the six months ended June 30, 2020 and 2019, respectively (amounts in thousands):

| June 30, 2020 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 | N/A | $ — | N/A | N/A | $ — |
| Total | | $ — | | | $ — |

| June 30, 2019 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 | $ 2,253 | Fixed rate debt | Interest expense | $ (2,253) |
| Total | | $ 2,253 | | | $ (2,253) |

The following tables provide a summary of the effect of cash flow hedges on the Company's accompanying consolidated statements of operations and comprehensive income for the six months ended June 30, 2020 and 2019, respectively (amounts in thousands):

| June 30, 2020<br>Type of Cash Flow Hedge | Effective Portion<br>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 |
|---|---|---|---|
| Derivatives designated as hedging instruments: | | | |
| Interest Rate Contracts: | | | |
| Forward Starting Swaps | $ (1,190) | Interest expense | $ (11,398) |
| Total | $ (1,190) | | $ (11,398) |

| June 30, 2019<br>Type of Cash Flow Hedge | Effective Portion<br>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 |
|---|---|---|---|
| Derivatives designated as hedging instruments: | | | |
| Interest Rate Contracts: | | | |
| Forward Starting Swaps | $ (33,765) | Interest expense | $ (8,902) |
| Total | $ (33,765) | | $ (8,902) |

As of June 30, 2020 and December 31, 2019, there were approximately $67.4 million and $77.6 million in deferred losses, net, included in accumulated other comprehensive income (loss), respectively, related to derivative instruments, of which an estimated $25.7 million may be recognized as additional interest expense during the twelve months ending June 30, 2021.

In April 2020, the Company paid approximately $1.2 million to settle two forward starting swaps in conjunction with the issuance of $495.0 million of ten-year secured conventional mortgage notes. The entire $1.2 million was initially deferred as a component of accumulated other comprehensive income (loss) and will be recognized as an increase to interest expense over the first five years of the mortgage notes.

## 11. 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):

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Numerator for net income per share – basic:** | | | | |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Allocation to Noncontrolling Interests – Operating Partnership | (21,248) | (15,429) | (9,713) | (11,510) |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Preferred distributions | (1,545) | (1,545) | (772) | (772) |
| Numerator for net income per share – basic | $ 567,949 | $ 411,962 | $ 260,116 | $ 308,196 |
| **Numerator for net income per share – diluted:** | | | | |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Preferred distributions | (1,545) | (1,545) | (772) | (772) |
| Numerator for net income per share – diluted | $ 589,197 | $ 427,391 | $ 269,829 | $ 319,706 |
| **Denominator for net income per share – basic and diluted:** | | | | |
| Denominator for net income per share – basic | 371,689 | 369,952 | 371,795 | 370,342 |
| Effect of dilutive securities: | | | | |
| OP Units | 13,013 | 12,902 | 13,023 | 12,885 |
| Long-term compensation shares/units | 1,570 | 2,790 | 1,095 | 2,880 |
| Denominator for net income per share – diluted | 386,272 | 385,644 | 385,913 | 386,107 |
| **Net income per share – basic** | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| **Net income per share – diluted** | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |

*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):

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Numerator for net income per Unit – basic and diluted:** | | | | |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Allocation to Preference Units | (1,545) | (1,545) | (772) | (772) |
| Numerator for net income per Unit – basic and diluted | $ 589,197 | $ 427,391 | $ 269,829 | $ 319,706 |
| **Denominator for net income per Unit – basic and diluted:** | | | | |
| Denominator for net income per Unit – basic | 384,702 | 382,854 | 384,818 | 383,227 |
| Effect of dilutive securities: | | | | |
| Dilution for Units issuable upon assumed exercise/vesting of the Company's long-term compensation shares/units | 1,570 | 2,790 | 1,095 | 2,880 |
| Denominator for net income per Unit – diluted | 386,272 | 385,644 | 385,913 | 386,107 |
| **Net income per Unit – basic** | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |
| **Net income per Unit – diluted** | $ 1.53 | $ 1.11 | $ 0.70 | $ 0.83 |

## 12. Commitments and Contingencies

The Company, as an owner of real estate, is subject to various Federal, state and local laws, including, but not limited to, rent regulations and 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, whether related to COVID-19 or otherwise, on its current properties or on properties that it may acquire in the future.

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

As of June 30, 2020, the Company has two wholly owned projects and one partially owned project totaling 824 apartment units in various stages of development with remaining commitments to fund of approximately $328.0 million (inclusive of applicable construction mortgage and joint venture partner obligations) and estimated completion dates ranging through September 30, 2021. Estimated completion dates and budgeted capital costs for projects under development currently remain unchanged from the Company's estimates in the fourth quarter of 2019. The Company will reevaluate these dates and costs as the impact of COVID-19 becomes clearer. The Company has two projects that were completed and stabilized during the quarter ended June 30, 2020.

As of June 30, 2020, the Company has two joint venture agreements with third party partners for the consolidated development of multifamily rental properties, one of which is currently under construction as noted above. The development commitment to fund the project under construction is included in the development funding totals above for one of the joint ventures. The joint venture agreements with each partner include a buy-sell provision that provides the right, but not the obligation, for the Company to acquire each respective partner's interests or sell its interests at any time following the occurrence of certain pre-defined events described in the joint venture agreements. See Note 6 for additional discussion.

## 13. Reportable Segments

Operating segments are defined as components of an enterprise that engage in business activities from which they may earn revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker. The chief operating decision maker decides how resources are allocated and assesses performance on a recurring basis at least quarterly.

The Company's primary business is the acquisition, development and management of multifamily residential properties, which includes the generation of rental and other related income through the leasing of apartment units to residents. The chief operating decision maker evaluates the Company's operating performance geographically by market and both on a same store and non-same store basis. While the Company does maintain a non-residential presence, it historically has accounted for approximately 4.0% of total revenues and is designed as an amenity for our residential residents. The chief operating decision maker evaluates the performance of each property on a consolidated residential and non-residential basis. The Company's geographic same store operating segments located in urban and high-density suburban communities represent its reportable segments.

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

All revenues are from external customers and there is no customer who contributed 10% or more of the Company's total revenues during the six months and quarters ended June 30, 2020 and 2019, respectively.

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

The following table presents a reconciliation of NOI from our rental real estate for the six months and quarters ended June 30, 2020 and 2019, respectively (amounts in thousands):

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Rental income | $ 1,335,837 | $ 1,331,676 | $ 653,532 | $ 669,374 |
| Property and maintenance expense | (220,268) | (223,531) | (104,452) | (108,461) |
| Real estate taxes and insurance expense | (192,770) | (182,888) | (95,038) | (91,446) |
| Total operating expenses | (413,038) | (406,419) | (199,490) | (199,907) |
| Net operating income | $ 922,799 | $ 925,257 | $ 454,042 | $ 469,467 |

The following tables present NOI for each segment from our rental real estate for the six months and quarters ended June 30, 2020 and 2019, respectively, as well as total assets and capital expenditures at June 30, 2020 (amounts in thousands):

| | Six Months Ended June 30, 2020 | | | Six Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Rental Income | Operating Expenses | NOI | Rental Income | Operating Expenses | NOI |
| Same store (1) | | | | | | |
| Los Angeles | $ 239,914 | $ 71,930 | $ 167,984 | $ 240,751 | $ 72,145 | $ 168,606 |
| Orange County | 53,013 | 12,167 | 40,846 | 51,887 | 12,142 | 39,745 |
| San Diego | 47,848 | 12,417 | 35,431 | 47,023 | 12,126 | 34,897 |
| Subtotal - Southern California | 340,775 | 96,514 | 244,261 | 339,661 | 96,413 | 243,248 |
| | | | | | | |
| San Francisco | 236,580 | 59,313 | 177,267 | 234,514 | 57,629 | 176,885 |
| Washington D.C. | 196,601 | 59,331 | 137,270 | 195,453 | 59,389 | 136,064 |
| New York | 227,179 | 98,581 | 128,598 | 230,808 | 96,067 | 134,741 |
| Seattle | 127,073 | 35,440 | 91,633 | 124,029 | 34,634 | 89,395 |
| Boston | 123,673 | 35,144 | 88,529 | 124,671 | 35,639 | 89,032 |
| Denver | 8,944 | 2,419 | 6,525 | 9,125 | 2,417 | 6,708 |
| Total same store | 1,260,825 | 386,742 | 874,083 | 1,258,261 | 382,188 | 876,073 |
| | | | | | | |
| Non-same store/other (2) (3) | | | | | | |
| Non-same store | 58,629 | 17,748 | 40,881 | 14,374 | 4,423 | 9,951 |
| Other (3) | 16,383 | 8,548 | 7,835 | 59,041 | 19,808 | 39,233 |
| Total non-same store/other | 75,012 | 26,296 | 48,716 | 73,415 | 24,231 | 49,184 |
| | | | | | | |
| Totals | $ 1,335,837 | $ 413,038 | $ 922,799 | $ 1,331,676 | $ 406,419 | $ 925,257 |

(1) For the six months ended June 30, 2020 and 2019, same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2019, less properties subsequently sold, which represented 74,264 apartment units.

(2) For the six months ended June 30, 2020 and 2019, non-same store primarily includes properties acquired after January 1, 2019, plus any properties in lease-up and not stabilized as of January 1, 2019.

(3) Other includes development, other corporate operations and operations prior to disposition for properties sold.

| | Quarter Ended June 30, 2020 | | | Quarter Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Rental Income | Operating Expenses | NOI | Rental Income | Operating Expenses | NOI |
| Same store (1) | | | | | | |
| Los Angeles | $ 117,994 | $ 35,013 | $ 82,981 | $ 121,216 | $ 35,688 | $ 85,528 |
| Orange County | 26,318 | 5,953 | 20,365 | 26,058 | 5,966 | 20,092 |
| San Diego | 23,706 | 6,100 | 17,606 | 23,720 | 5,978 | 17,742 |
| Subtotal - Southern California | 168,018 | 47,066 | 120,952 | 170,994 | 47,632 | 123,362 |
| | | | | | | |
| San Francisco | 116,303 | 29,045 | 87,258 | 118,044 | 28,528 | 89,516 |
| Washington D.C. | 97,527 | 28,680 | 68,847 | 98,571 | 29,409 | 69,162 |
| New York | 111,949 | 48,130 | 63,819 | 117,457 | 47,626 | 69,831 |
| Seattle | 63,378 | 18,383 | 44,995 | 63,695 | 17,853 | 45,842 |
| Boston | 59,990 | 16,984 | 43,006 | 62,751 | 17,398 | 45,353 |
| Denver | 6,110 | 1,733 | 4,377 | 6,403 | 1,831 | 4,572 |
| Total same store | 623,275 | 190,021 | 433,254 | 637,915 | 190,277 | 447,638 |
| | | | | | | |
| Non-same store/other (2) (3) | | | | | | |
| Non-same store | 24,631 | 7,212 | 17,419 | 4,000 | 1,124 | 2,876 |
| Other (3) | 5,626 | 2,257 | 3,369 | 27,459 | 8,506 | 18,953 |
| Total non-same store/other | 30,257 | 9,469 | 20,788 | 31,459 | 9,630 | 21,829 |
| | | | | | | |
| Totals | $ 653,532 | $ 199,490 | $ 454,042 | $ 669,374 | $ 199,907 | $ 469,467 |

(1) For the quarters ended June 30, 2020 and 2019, same store primarily includes all properties acquired or completed that were stabilized prior to April 1, 2019, less properties subsequently sold, which represented 74,843 apartment units.

(2) For the quarters ended June 30, 2020 and 2019, non-same store primarily includes properties acquired after April 1, 2019, plus any properties in lease-up and not stabilized as of April 1, 2019.

(3) Other includes development, other corporate operations and operations prior to disposition for properties sold.

| | Six Months Ended June 30, 2020 | |
|---|---|---|
| | Total Assets | Capital Expenditures |
| Same store (1) | | |
| Los Angeles | $ 3,064,404 | $ 13,070 |
| Orange County | 397,148 | 3,458 |
| San Diego | 382,082 | 1,993 |
| Subtotal - Southern California | 3,843,634 | 18,521 |
| | | |
| San Francisco | 3,288,932 | 6,940 |
| Washington D.C. | 3,120,074 | 10,534 |
| New York | 4,001,050 | 10,429 |
| Seattle | 1,838,484 | 4,334 |
| Boston | 1,790,996 | 8,631 |
| Denver | 251,427 | 245 |
| Total same store | 18,134,597 | 59,634 |
| | | |
| Non-same store/other (2) (3) | | |
| Non-same store | 1,642,289 | 1,129 |
| Other (3) | 938,065 | 502 |
| Total non-same store/other | 2,580,354 | 1,631 |
| | | |
| Totals | $ 20,714,951 | $ 61,265 |

(1) Same store primarily includes all properties acquired or completed that were stabilized prior to January 1, 2019, less properties subsequently sold, which represented 74,264 apartment units.

(2) Non-same store primarily includes properties acquired after January 1, 2019, plus any properties in lease-up and not stabilized as of January 1, 2019.

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

**14. Subsequent Events**

The continued rapid development and fast-changing nature of the COVID-19 pandemic creates many unknowns that could have a future material impact on the Company. Its duration and severity and the extent of the adverse health impact on the general population, our residents and our employees, as well as the potential changes in customer preferences for living in the urban and dense suburban locations in which many of the Company's properties are located, are among the unknowns. These, among other items, will likely impact the economy, the unemployment rate and our operations and could materially affect our future consolidated results of operations, financial condition, liquidity, investments and overall performance.

Subsequent to June 30, 2020, the Company:

- Repaid $19.7 million of mortgage debt at par prior to maturity.

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

For further information including definitions for capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019. In addition, please refer to the Definitions section below for various capitalized terms not immediately defined in this Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

**Forward-Looking Statements**

Forward-looking statements are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, projections and assumptions made by management. While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such information is inherently subject to uncertainties and may involve certain risks, which could cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Many of these uncertainties and risks are difficult to predict and beyond management's control, such as the current novel coronavirus ("COVID-19") pandemic (see below for further discussion). 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.

In addition, these forward-looking statements are subject to risks related to the COVID-19 pandemic, many of which are unknown, including the duration and severity of the pandemic, the extent of the adverse health impact on the general population and on our residents, customers and employees in particular, its impact on the employment rate and the economy and the corresponding impact on our residents' and tenants' ability to pay their rent on time or at all, the extent and impact of governmental responses and the impact of operational changes we have implemented and may implement in response to the pandemic.

Factors that might cause such differences are discussed in Part I of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019, particularly those under Item 1A, *Risk Factors.* Additional factors are also included in Part II, Item 1A, *Risk Factors*, of this Quarterly Report on Form 10-Q.

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

Due to the inherent uncertainty surrounding the social and economic disruption resulting from the COVID-19 pandemic, the Company withdrew its full-year 2020 guidance earlier this year. The Company is also suspending issuing guidance in future periods until there is greater certainty surrounding the impact of the ongoing pandemic.

**Overview**

Equity Residential ("EQR") is committed to creating communities where people thrive. The Company, a member of the S&P 500, is focused on the acquisition, development and management of rental apartment properties located in urban and high-density suburban communities where today's renters want to live, work and play. ERP Operating Limited Partnership ("ERPOP") is focused on conducting the multifamily property business of EQR. EQR is a Maryland real estate investment trust ("REIT") formed in March 1993 and ERPOP is an Illinois limited partnership formed in May 1993. 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 June 30, 2020 owned an approximate 96.4% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time, the net proceeds of which it is obligated to contribute to ERPOP, but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

The Company's corporate headquarters is located in Chicago, Illinois and the Company also operates regional property management offices in each of its markets. As of June 30, 2020, the Company had approximately 2,600 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

**Available Information**

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

**Business Objectives and Operating and Investing Strategies**

The Company's and the Operating Partnership's overall business objectives and operating and investing strategies have not changed from the information included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019, though the Company and the Operating Partnership will continue to be focused on its response to the COVID-19 pandemic in the near-term. As more fully discussed in the Company's and the Operating Partnership's Annual Report on Form 10-K, it continues to be the Company's intention over time to diversify its portfolio into new markets that have characteristics similar to its current markets and to optimize the mix of the Company's properties located in urban vs. dense suburban submarkets.

**COVID-19 Impact**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The continued rapid development and fast-changing nature of the COVID-19 pandemic creates many unknowns that could have a future material impact on the Company. Its duration and severity and the extent of the adverse health impact on the general population, our residents and our employees, as well as the potential changes in customer preferences for living in the urban and dense suburban locations in which many of the Company's properties are located, are among the unknowns. These, among other items, will likely impact the economy, the unemployment rate and our operations and could materially affect our future consolidated results of operations, financial condition, liquidity, investments and overall performance. For additional details, see Item 1A, *Risk Factors*.

The Company continues to support its residents and employees during the COVID-19 pandemic. The Company is utilizing technology to allow our property teams to interact remotely with current and prospective residents, including a touchless new leasing process and a service process designed to limit contact. The Company also successfully implemented changes to the physical layout of its properties and remains focused on further enhancing its existing commitment to health and safety during the pandemic. We also continue to provide additional paid leave for employees impacted by the pandemic and paid special bonuses to certain on-site employees during the second quarter of 2020 in recognition of their significant efforts. In addition, the Company continues to support its corporate and regional employees by allowing them to work remotely during the pandemic. Among other resident support efforts, we have an extensive outreach process for residents financially impacted by the pandemic and have created payment plans to assist them.

We see good demand for our apartments, both urban and suburban, but with increased customer price sensitivity, especially in the urban cores of New York City, San Francisco and Boston/Cambridge, MA. Looking forward, we believe the rate of improvement in our business will be dictated by how effectively the COVID-19 pandemic can be controlled and more normal economic activity restored. In the meantime, we believe our strong balance sheet, state of the art operating platform and opportunistic mindset leaves us well positioned to weather the storm and to take advantage should conditions allow.

During the second quarter of 2020, the Company also:

- Experienced a recovery in demand by late May 2020. Initial leads, Traffic and applications continue to be in-line with the same time last year;
- Collected on average 97% of its total monthly Residential rental income. July 2020 collections continue to trend on a similar pace to prior months; and
- Had the highest resident retention for the second quarter in the Company's history.

**Results of Operations**

***2020 Transactions***

In conjunction with our business objectives and operating strategy, the Company continued to invest in apartment properties located primarily in our urban and high-density suburban communities and sell apartment properties that we believe will have inferior long-term returns. The following table provides a rollforward of the transactions that occurred during the six months ended June 30, 2020:

**Portfolio Rollforward**
($ in thousands)

| | | Properties | Apartment Units | Sales Price | Disposition Yield |
|---|---|---|---|---|---|
| | 12/31/2019 | 309 | 79,962 | | |
| Dispositions: | | | | | |
| Consolidated Rental Properties | | (5) | (1,552) | $ (754,361) | (4.7)% |
| | 6/30/2020 | 304 | 78,410 | | |

The consolidated properties disposed of were located in the Phoenix, San Francisco and Washington D.C. markets and the sales generated an Unlevered IRR of 10.8%. See Note 4 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's real estate transactions.

We currently budget spending approximately $225.0 million on development costs during the year ending December 31, 2020, of which approximately $95.2 million was spent during the six months ended June 30, 2020, primarily for properties currently under construction. Certain of these costs will be funded by third party construction mortgages and joint venture partner obligations. Work at our development project in Boston resumed after a nine-week suspension due to the city's COVID-19-related temporary construction moratorium, and our projects in Bethesda, MD and Alameda, CA continue under construction. The expected spending noted above could change as a result of COVID-19 related impacts.

***Same Store Results***

Properties that the Company owned and were stabilized (see definition below) for all of both of the six months ended June 30, 2020 and 2019 (the "Six-Month 2020 Same Store Properties"), which represented 74,264 apartment units, impacted the Company's results of operations. The Six-Month 2020 Same Store Properties are discussed in the following paragraphs.

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

The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the six months ended June 30, 2020:

| | Six Months Ended June 30, 2020 | |
|---|---|---|
| | Properties | Apartment Units |
| Same Store Properties at December 31, 2019 | 279 | 71,830 |
| 2017 acquisitions | 2 | 510 |
| 2018 acquisitions | 5 | 1,461 |
| 2019 acquisitions | — | — |
| 2020 dispositions | (5) | (1,552) |
| Lease-up properties stabilized | 5 | 2,015 |
| Same Store Properties at June 30, 2020 | 286 | 74,264 |

| | Six Months Ended June 30, 2020 | |
|---|---|---|
| | Properties | Apartment Units |
| Same Store | 286 | 74,264 |
| Non-Same Store: | | |
| 2019 acquisitions | 13 | 3,540 |
| Master-Leased properties (1) | 1 | 162 |
| Lease-up properties not yet stabilized (2) | 3 | 443 |
| Other | 1 | 1 |
| Total Non-Same Store | 18 | 4,146 |
| Total Properties and Apartment Units | 304 | 78,410 |

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

(1) Consists of one property containing 162 apartment units that is wholly owned by the Company where the entire project is master-leased to a third party corporate housing provider.

(2) Consists of properties in various stages of lease-up and properties where lease-up has been completed but the properties were not stabilized for the comparable periods presented.

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 (amounts in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Operating income | $ 778,974 | $ 578,894 |
| Adjustments: | | |
| Property management | 51,317 | 50,765 |
| General and administrative | 26,353 | 29,710 |
| Depreciation | 418,398 | 404,723 |
| Net (gain) loss on sales of real estate properties | (352,243) | (138,835) |
| Total NOI | $ 922,799 | $ 925,257 |
| Rental income: | | |
| Same store | $ 1,260,825 | $ 1,258,261 |
| Non-same store/other | 75,012 | 73,415 |
| Total rental income | 1,335,837 | 1,331,676 |
| Operating expenses: | | |
| Same store | 386,742 | 382,188 |
| Non-same store/other | 26,296 | 24,231 |
| Total operating expenses | 413,038 | 406,419 |
| NOI: | | |
| Same store | 874,083 | 876,073 |
| Non-same store/other | 48,716 | 49,184 |
| Total NOI | $ 922,799 | $ 925,257 |

The following table provides comparative total same store results and statistics for the Six-Month 2020 Same Store Properties:

June YTD 2020 vs. June YTD 2019
Same Store Results/Statistics Including 74,264 Same Store Apartment Units
$ in thousands (except for Average Rental Rate)

| | June YTD 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Residential | % Change | Non-Residential | % Change | Total | % Change |
| Revenues | $ 1,223,361 | 1.0% | $ 37,464 (1) | (20.4%) | $ 1,260,825 | 0.2% |
| Expenses | $ 375,710 | 1.1% | $ 11,032 | 3.4% | $ 386,742 | 1.2% |
| NOI | $ 847,651 | 0.9% | $ 26,432 | (27.3%) | $ 874,083 | (0.2%) |
| Average Rental Rate | $ 2,871 | 1.8% | | | | |
| Physical Occupancy | 95.7% | (0.7%) | | | | |
| Turnover | 21.4% | (1.9%) | | | | |

| | June YTD 2019 | | |
|---|---|---|---|
| | Residential | Non-Residential | Total |
| Revenues | $ 1,211,210 | $ 47,051 | $ 1,258,261 |
| Expenses | $ 371,517 | $ 10,671 | $ 382,188 |
| NOI | $ 839,693 | $ 36,380 | $ 876,073 |
| Average Rental Rate | $ 2,821 | | |
| Physical Occupancy | 96.4% | | |
| Turnover | 23.3% | | |

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

(1) Non-Residential operations have been more significantly impacted by the COVID-19 pandemic than the Company's core Residential business. The decline in Non-Residential revenues is primarily driven by lower public parking income, deferral/abatement of rent and higher bad debt expense.

The following table provides results and statistics related to our Residential same store operations for the six months ended June 30, 2020 and 2019:

June YTD 2020 vs. June YTD 2019
Same Store Residential Results/Statistics by Market

| | | | | | | Increase (Decrease) from Prior Year | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Markets/Metro Areas | Apartment Units | June YTD 2020 % of Actual NOI | June YTD 2020 Average Rental Rate | June YTD 2020 Weighted Average Physical Occupancy % | June YTD 2020 Turnover | Revenues | Expenses | NOI | Average Rental Rate | Physical Occupancy | Turnover |
| Los Angeles | 15,968 | 19.7% | $ 2,615 | 95.3% | 23.2% | 0.1% | (0.3%) | 0.2% | 1.0% | (0.9%) | (2.6%) |
| Orange County | 4,028 | 4.8% | 2,272 | 96.6% | 18.8% | 2.2% | 0.2% | 2.8% | 2.0% | 0.2% | (5.4%) |
| San Diego | 3,385 | 4.2% | 2,435 | 96.4% | 23.7% | 1.9% | 2.1% | 1.9% | 2.0% | 0.0% | (2.7%) |
| Subtotal – Southern California | 23,381 | 28.7% | 2,529 | 95.7% | 22.5% | 0.7% | 0.1% | 0.9% | 1.3% | (0.6%) | (3.1%) |
| San Francisco | 12,183 | 20.7% | 3,334 | 95.8% | 21.1% | 1.1% | 2.9% | 0.5% | 1.7% | (0.6%) | (1.9%) |
| Washington DC | 13,711 | 16.0% | 2,463 | 95.9% | 19.8% | 1.3% | (0.1%) | 1.9% | 2.1% | (0.7%) | (0.8%) |
| New York | 9,475 | 14.0% | 3,930 | 95.4% | 18.7% | (0.3%) | 2.4% | (2.4%) | 1.1% | (1.3%) | 0.4% |
| Seattle | 8,442 | 10.2% | 2,469 | 96.3% | 22.9% | 3.8% | 2.7% | 4.2% | 3.9% | (0.1%) | (5.1%) |
| Boston | 6,346 | 9.7% | 3,178 | 94.7% | 22.7% | 1.0% | (1.9%) | 2.2% | 2.6% | (1.4%) | 1.2% |
| Denver | 726 | 0.7% | 2,133 | 94.5% | 30.6% | (1.2%) | (0.3%) | (1.5%) | 0.6% | (1.9%) | 0.0% |
| **Total** | 74,264 | 100.0% | $ 2,871 | 95.7% | 21.4% | 1.0% | 1.1% | 0.9% | 1.8% | (0.7%) | (1.9%) |

Note: The above table reflects Residential same store results only, which historically account for approximately 96.0% of total revenues.

We continue to work with our residents and tenants on payment plans and collections and our allowance policies remain consistent. We expect our reserves and bad debt charge-offs to remain elevated for the remainder of this year. The following table provides Residential and Non-Residential accounts receivable and straight-line receivable balances for the Company's same store properties as of June 30, 2020 and March 31, 2020 (amounts in thousands):

Same Store Resident/Tenant Accounts Receivable Balances
Including 74,264 Same Store Apartment Units
$ in thousands

| | Residential | | Non-Residential | |
|---|---|---|---|---|
| | June 30, 2020 | March 31, 2020 | June 30, 2020 | March 31, 2020 |
| Resident/tenant accounts receivable balances | $ 18,175 | $ 5,358 | $ 4,815 | $ 2,270 |
| Allowance for doubtful accounts | (6,518) | (1,850) | (2,416) | (1,532) |
| Net receivable balances | $ 11,657 (1) | $ 3,508 | $ 2,399 | $ 738 |
| Straight-line receivable balances | $ 2,990 | $ 1,633 | $ 24,161 | $ 26,154 |

(1) The Company held Residential security deposits approximating 20% of the net receivable balance at June 30, 2020.

The following table provides preliminary information related to Residential same store operations for the month ended July 2020 compared to the actuals for the quarter ended June 30, 2020.

| | July 2020 | Second Quarter 2020 |
|---|---|---|
| New Lease Change | (8.3%) | (7.0%) |
| Renewal Rate Achieved | (0.9%) | 0.7% |
| Blended Rate (1) | (4.5%) | (2.7%) |
| Physical Occupancy | 95.0% | 94.9% |

(1) Blended Rate after applying the effect of new move-in and renewal concessions is approximately (5.5%) and (3.5%) for July 2020 and the second quarter of 2020, respectively, driven by higher usage in the urban cores of New York, San Francisco and Boston.

The July 2020 results listed above are approximately equal to the Company's June 2020 results for New Lease Change, Renewal Rate Achieved and Blended Rate. Concession use is higher in July 2020 than in June 2020.

We expected the negative impact on Physical Occupancy to be most pronounced in the second quarter and then stabilize at a new base level, which currently appears to be the case. The story is more mixed as it relates to Average Rental Rates, which remains more challenged in the urban cores of New York City, San Francisco and Boston/Cambridge, MA. Use of new lease concessions during the second quarter of 2020 was concentrated in the submarkets noted above. Traffic and application activity improved throughout the quarter as Average Rental Rates were reduced in these submarkets. Meanwhile the rest of the portfolio is showing more stability in Average Rental Rates, though those rates are still lower than last year.

As a result of the differing impact that the COVID-19 pandemic is currently having on the operating performance of our markets and submarkets, we believe it is most helpful to discuss our portfolio as follows:

- First, our suburban properties, which represent approximately 45% of our portfolio, have been more resilient during the pandemic with Physical Occupancy declining to a low point of 95.2% during the second quarter of 2020 but since recovering fully to levels at or above the prior year. By the middle of July 2020, Physical Occupancy for this category of properties stood at 96.6%. The percentage of suburban leases renewing was very strong at 65% and continues to trend well above the prior year. Average Rental Rates have slowly recovered since early May with limited concession use, though those rates are still below the prior year level.

- Second, our properties that are located in the urban cores of New York City, San Francisco and Boston/Cambridge, MA, which represent about 25% of our portfolio, have Physical Occupancy of 90.9% by the middle of July 2020. This group of properties has the highest use of concessions (about 50% of all new leases) and the most pressure on Average Rental Rates. For the second quarter of 2020, these urban properties renewed 58% of residents, which was 500 basis points lower than the second quarter of 2019 and was trending down throughout the quarter, ending at 53% in June 2020. We believe these properties have the highest risk of volatility in operations for the balance of the year.

- Our third category consists of urban properties in our other markets, such as Washington D.C., Seattle and Southern California, and constitutes about 30% of our portfolio. These properties reached a low point in Physical Occupancy of 94.0% in the middle of May 2020, but quickly rebounded and had Physical Occupancy of 95.2% by the middle of July 2020. Average Rental Rates have been stable since the middle of May, though they are down year-over-year, and concessions are being used on about 15% of our new leases. During the second quarter of 2020, 57% of residents renewed at these properties, which is 300 basis points better than the second quarter of 2019. Overall, this group of urban properties has had consistent operations for the past two months, with a slight increase in Physical Occupancy in the last couple of weeks of July 2020.

The following table provides comparative total same store operating expenses for the Six-Month 2020 Same Store Properties:

June YTD 2020 vs. June YTD 2019
Total Same Store Operating Expenses Including 74,264 Same Store Apartment Units
$ in thousands

| | Actual YTD 2020 | Actual YTD 2019 | $ Change (5) | % Change | % of Actual YTD 2020 Operating Expenses |
|---|---|---|---|---|---|
| Real estate taxes | $ 170,416 | $ 164,075 | $ 6,341 | 3.9% | 44.1% |
| On-site payroll (1) | 81,249 | 81,757 | (508) | (0.6)% | 21.0% |
| Utilities (2) | 50,654 | 49,787 | 867 | 1.7% | 13.1% |
| Repairs and maintenance (3) | 44,497 | 48,027 | (3,530) | (7.4)% | 11.5% |
| Insurance | 12,187 | 10,365 | 1,822 | 17.6% | 3.2% |
| Leasing and advertising | 4,385 | 4,917 | (532) | (10.8)% | 1.1% |
| Other on-site operating expenses (4) | 23,354 | 23,260 | 94 | 0.4% | 6.0% |
| Total Same Store Operating Expenses (includes Residential and Non-Residential) | $ 386,742 | $ 382,188 | $ 4,554 | 1.2% | 100.0% |

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

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

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

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

(5) The year-to-date over year-to-date changes are due primarily to:

- Real estate taxes – Higher rates and assessed values continue to drive real estate tax growth across most markets with a slight improvement from previous expectations caused by successful appeals activity and lower than expected rate growth in New York.
- On-site payroll – Results better than expectations due to faster than anticipated progress in transition to enhanced operating platform, lower than expected employee benefit-related costs and less overtime, partially offset by one-time frontline worker bonuses.
- Utilities – Growth lower than expected due to warmer winter weather and energy rate decreases.
- Repairs and maintenance – Decrease primarily driven by deferral and cancellation of some projects as a result of COVID-19-related delays.
- Insurance – Increase due to higher premiums on property insurance renewal caused by challenging conditions in the insurance market.
- Leasing and advertising – Decrease greater than expectations due in part to suspension of resident activities.

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

***Non-Same Store/Other Results***

Non-same store/other NOI results for the six months ended June 30, 2020 decreased approximately $0.5 million compared to the same period of 2019 and consist primarily of properties acquired in calendar year 2019, operations from the Company's development properties and operations prior to disposition from 2019 and 2020 sold properties. This difference is due primarily to:

- A positive impact of higher NOI from development and newly stabilized development properties in lease-up of $3.4 million;
- A positive impact of higher NOI from properties acquired in 2019 of $27.6 million; and
- A negative impact of lost NOI from 2019 and 2020 dispositions of $29.5 million.

***Comparison of the six months and quarter ended June 30, 2020 to the six months and quarter ended June 30, 2019***

The following table presents a reconciliation of diluted earnings per share/unit for the six months and quarter ended June 30, 2020 as compared to the same period in 2019:

| | Six Months Ended June 30 | Quarter Ended June 30 |
|---|---|---|
| Diluted earnings per share/unit for period ended 2019 | $ 1.11 | $ 0.83 |
| Property NOI | (0.01) | (0.04) |
| Interest expense | 0.06 | 0.03 |
| Debt extinguishment costs | 0.04 | 0.04 |
| Net gain/loss on property sales | 0.34 | (0.17) |
| Other | (0.01) | 0.01 |
| Diluted earnings per share/unit for period ended 2020 | $ 1.53 | $ 0.70 |

The decrease in consolidated NOI is primarily a result of the Company's lower NOI from same store properties, largely due to the economic impact from the COVID-19 pandemic. The following table presents the changes in the components of consolidated NOI for the six months and quarter ended June 30, 2020 as compared to the same periods in 2019:

| | Six Months Ended June 30, 2020 | Quarter Ended June 30, 2020 |
|---|---|---|
| Consolidated rental income | 0.3% | (2.4%) |
| Consolidated operating expenses (1) | 1.6% | (0.2%) |
| Consolidated NOI | (0.3%) | (3.3%) |

(1) Consolidated operating expenses are comprised of property and maintenance and real estate taxes and insurance.

Property management expenses include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses increased approximately $0.6 million or 1.1% for the six months ended June 30, 2020 as compared to the prior year period. The increase is primarily attributable to increases in information technology related costs specifically for various operating initiatives such as sales-focused improvements and service enhancements, partially offset by decreases in payroll-related costs, travel costs and training/conference costs. These expenses decreased approximately $0.8 million or 3.1% for the quarter ended June 30, 2020 as compared to the prior year period, primarily due to a decrease in payroll-related costs, travel costs and training/conference costs. The Company suspended the majority of all travel and training/conference activities as a result of the COVID-19 pandemic.

General and administrative expenses, which include corporate operating expenses, decreased approximately $3.4 million or 11.3% and approximately $2.5 million or 17.4% for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods, primarily due to decreases in payroll-related costs as a result of the Company's executive changes over the past two years.

Depreciation expense, which includes depreciation on non-real estate assets, increased approximately $13.7 million or 3.4% and approximately $5.5 million or 2.7% for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods, primarily as a result of additional depreciation expense on properties acquired in 2019 and development properties placed in service during 2019, offset by lower depreciation from properties sold in 2019 and 2020.

Net gain on sales of real estate properties increased approximately $213.4 million for the six months ended June 30, 2020 as compared to the prior year period, primarily as a result of a higher sales volume with the sale of five consolidated apartment properties during the first half of 2020 as compared to the sale of two consolidated apartment properties during the first half of 2019. Net gain on sales of real estate properties increased approximately $5.4 million or 3.9% for the quarter ended June 30, 2020 as compared to the prior year period, primarily as a result of the sale of two consolidated apartment properties sold for a higher gain in the second quarter of 2020 as compared to the sale of two consolidated properties in the same period in 2019.

Interest and other income increased approximately $1.5 million or 80.3% and approximately $0.4 million or 31.2% for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods. These increases are primarily due to higher insurance/litigation settlement proceeds that did not occur in 2019, partially offset by decreases in short-term investment income on cash and restricted deposit accounts in 2020 as compared to 2019 due to a lower rate environment and lower overall balances.

Other expenses decreased approximately $4.2 million or 49.6% and approximately $3.4 million or 66.9% for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods, primarily due to decreases in various consulting costs related to a data analytics project which was completed last year and litigation and environmental settlements, partially offset by increases in advocacy contributions in 2020 as compared to 2019.

Interest expense, including amortization of deferred financing costs, decreased approximately $38.0 million or 18.1% and approximately $28.6 million or 25.4% for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods. The decrease is due primarily to lower debt extinguishment costs, lower overall debt balances outstanding between the periods as a result of deploying disposition proceeds to repay debt, as well as lower overall interest rates. The effective interest cost on all indebtedness, excluding debt extinguishment costs/prepayment penalties, for the six months ended June 30, 2020 was 3.95% as compared to 4.34% for the prior year period, and for the quarter ended June 30, 2020 was 3.96% as compared to 4.34% for the prior year period. The Company capitalized interest of approximately $4.1 million and $2.7 million during the six months ended June 30, 2020 and 2019, respectively, and $2.3 million and $1.5 million during the quarters ended June 30, 2020 and 2019, respectively.

Income from investments in unconsolidated entities decreased approximately $70.3 million and $69.8 million for the six months and quarter ended June 30, 2020, respectively, as compared to the prior year periods, primarily as a result of a $69.5 million gain on the sale of two unconsolidated properties in 2019 that did not occur in the same periods in 2020.

Net (income) loss attributable to Noncontrolling Interests in partially owned properties decreased approximately $11.8 million for the six months ended June 30, 2020, as compared to the prior year period, primarily as a result of noncontrolling interest allocations related to the sale of one partially owned apartment property in 2020 as compared to no sales in the same period in 2019.

**Liquidity and Capital Resources**

The Company believes its current liquidity position is strong despite the impact of the COVID-19 pandemic. With approximately $2.4 billion in readily available liquidity, limited near-term maturities, very strong credit metrics and ample access to capital markets at historically low rates, the Company believes it is well positioned to meet its future obligations. See further discussion below.

***Short-Term Liquidity and Cash Proceeds***

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

The following table presents the Company's balances for cash and cash equivalents, restricted deposits and the available borrowing capacity on its revolving credit facility as of June 30, 2020 and December 31, 2019 (amounts in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | $ 187,416 | $ 45,753 |
| Restricted deposits | $ 58,117 | $ 71,246 |
| Unsecured revolving credit facility availability | $ 2,399,051 | $ 1,379,071 |

During the six months ended June 30, 2020, the Company generated proceeds from various transactions, which included the following:

- Disposed of five consolidated rental properties, receiving net proceeds of approximately $747.6 million;
- Obtained $495.0 million in a 2.60% fixed rate mortgage loan pool maturing on May 1, 2030; and
- Issued Common Shares related to share option exercises and ESPP purchases and received net proceeds of $13.7 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 six months ended June 30, 2020, the above proceeds along with net cash flow from operations and borrowings from the Company's revolving line of credit and commercial paper program were primarily utilized to:

- Invest $95.2 million primarily in development projects; and
- Repay $95.4 million of mortgage loans (inclusive of scheduled principal repayments).

Subsequent to June 30, 2020, the Company prepaid at par $19.7 million of the $23.7 million in debt maturities remaining in 2020. The Company has debt maturities of $834.9 million in 2021, $750.0 million of which is due on December 15, 2021.

*Credit Facility and Commercial Paper Program*

The Company has a $2.5 billion unsecured revolving credit facility maturing November 1, 2024. The Company has the ability to increase available borrowings by an additional $750.0 million by adding lenders to the facility, obtaining the agreement of existing lenders to increase their commitments or incurring one or more term loans. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 0.775%), or based on bids received from the lending group, and the Company pays an annual facility fee (currently 0.125%). Both the spread and the facility fee are dependent on the Company's senior unsecured credit rating.

The unsecured revolving credit agreement contains provisions that establish a process for entering into an amendment to replace LIBOR under certain circumstances, such as the anticipated phase-out of LIBOR by the end of 2021. At this time, it cannot be determined with certainty what interest rate(s) may succeed LIBOR, if any, and how any successor or alternative rates for LIBOR may affect borrowing costs or the availability of variable interest rate borrowings.

The Company has an unsecured commercial paper note program in the United States. The Company may borrow up to a maximum of $1.0 billion 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. While the COVID-19 pandemic caused a temporary disruption in the commercial paper market in March 2020, the Company has maintained access to such market and expects to continue to be able to do so in the future.

The Company limits its utilization of the revolving credit facility in order to maintain liquidity to support its $1.0 billion commercial paper program along with certain other obligations. The following table presents the availability on the Company's unsecured revolving credit facility as of July 28, 2020 (amounts in thousands):

| | July 28, 2020 |
|---|---|
| Unsecured revolving credit facility commitment | $ 2,500,000 |
| Commercial paper balance outstanding | — |
| Unsecured revolving credit facility balance outstanding | — |
| Other restricted amounts | (100,949) |
| Unsecured revolving credit facility availability | $ 2,399,051 |

*Dividend Policy*

The Company determines its dividends/distributions based on actual and projected financial conditions, the Company’s actual and projected liquidity and operating results, the Company’s projected cash needs for capital expenditures and other investment activities and such other factors as the Company’s Board of Trustees deems relevant. The Company declared a dividend/distribution for the first and second quarters of 2020 of $0.6025 per share/unit in each quarter, an annualized increase of 6.2% over the amount paid in 2019. All future dividends/distributions remain subject to the discretion of the Company’s Board of Trustees.

Total dividends/distributions paid in July 2020 amounted to $232.2 million (excluding distributions on Partially Owned Properties), which consisted of certain distributions declared during the quarter ended June 30, 2020.

***Long-Term Financing and Capital Needs***

The Company expects to meet its long-term liquidity requirements, such as lump sum unsecured note and mortgage debt maturities, property acquisitions and financing of 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, along with cash generated from operations after all distributions. The Company has a significant number of unencumbered properties available to secure additional mortgage borrowings should unsecured capital be unavailable or the cost of alternative sources of capital be too high. The value of and cash flow from these unencumbered properties are in excess of the requirements the Company must maintain in order to comply with covenants under its unsecured notes and line of credit. Of the $27.2 billion in investment in real estate on the Company’s balance sheet at June 30, 2020, $23.0 billion or 84.7% was unencumbered. However, there can be no assurances that these sources of capital will be available to the Company in the future on acceptable terms or otherwise.

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

The Company’s total debt summary and debt maturity schedules as of June 30, 2020 are as follows:

**Debt Summary as of June 30, 2020**
**($ in thousands)**

| | Debt Balances | % of Total | Weighted Average Rates | Weighted Average Maturities (years) |
|---|---|---|---|---|
| Secured | $ 2,340,757 | 27.8% | 3.51% | 7.0 |
| Unsecured | 6,081,102 | 72.2% | 3.85% | 10.3 |
| Total | $ 8,421,859 | 100.0% | 3.77% | 9.4 |
| Fixed Rate Debt: | | | | |
| Secured – Conventional | $ 1,972,862 | 23.4% | 3.94% | 5.4 |
| Unsecured – Public | 6,081,102 | 72.2% | 4.06% | 10.3 |
| Fixed Rate Debt | 8,053,964 | 95.6% | 4.03% | 9.1 |
| Floating Rate Debt: | | | | |
| Secured – Conventional | 7,315 | 0.1% | 3.35% | 2.0 |
| Secured – Tax Exempt | 360,580 | 4.3% | 1.49% | 15.5 |
| Unsecured – Revolving Credit Facility | — | — | 1.47% | 4.3 |
| Unsecured – Commercial Paper Program | — | — | 1.81% | — |
| Floating Rate Debt | 367,895 | 4.4% | 1.68% | 15.2 |
| Total | $ 8,421,859 | 100.0% | 3.77% | 9.4 |

**Debt Maturity Schedule as of June 30, 2020**
**($ in thousands)**

| Year | Fixed Rate | | Floating Rate | Total | % of Total | Weighted Average Coupons on Fixed Rate Debt | Weighted Average Coupons on Total Debt |
|---|---|---|---|---|---|---|---|
| 2020 | $ 23,669 | | $ — | $ 23,669 | 0.3% | 4.75% | 4.75% |
| 2021 | 834,904 | (1) | — | 834,904 | 9.8% | 4.63% | 4.63% |
| 2022 | 264,185 | | 7,796 | 271,981 | 3.2% | 3.25% | 3.22% |
| 2023 | 1,325,588 | | 3,500 | 1,329,088 | 15.6% | 3.74% | 3.73% |
| 2024 | — | | 6,100 | 6,100 | 0.1% | N/A | 0.15% |
| 2025 | 450,000 | | 8,200 | 458,200 | 5.4% | 3.38% | 3.32% |
| 2026 | 592,025 | | 9,000 | 601,025 | 7.0% | 3.58% | 3.53% |
| 2027 | 400,000 | | 9,800 | 409,800 | 4.8% | 3.25% | 3.18% |
| 2028 | 900,000 | | 42,380 | 942,380 | 11.1% | 3.79% | 3.62% |
| 2029 | 888,120 | | 11,500 | 899,620 | 10.6% | 3.30% | 3.26% |
| 2030+ | 2,445,850 | | 288,135 | 2,733,985 | 32.1% | 3.56% | 3.21% |
| Subtotal | 8,124,341 | | 386,411 | 8,510,752 | 100.0% | 3.67% | 3.51% |
| Deferred Financing Costs and Unamortized (Discount) | (70,377) | | (18,516) | (88,893) | N/A | N/A | N/A |
| Total | $ 8,053,964 | | $ 367,895 | $ 8,421,859 | 100.0% | 3.67% | 3.51% |

(1) $750.0 million of 4.625% unsecured notes will mature on December 15, 2021.

See Note 9 in the Notes to Consolidated Financial Statements for additional discussion of debt at June 30, 2020.

ERPOP’s long-term senior debt ratings and short-term commercial paper ratings, as well as EQR’s long-term preferred equity ratings, have recently been reaffirmed during the COVID-19 pandemic by all three rating agencies listed below and all continue to maintain a stable outlook. As of July 28, 2020, the ratings are as follows:

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

See Note 14 in the Notes to Consolidated Financial Statements for discussion of the events, if any, which occurred subsequent to June 30, 2020.

***Debt Covenants***

The Company’s unsecured debt includes certain financial and operating covenants including, among other things, maintenance of certain financial ratios. These provisions are contained in the indentures applicable to each note payable or the credit agreement for our line of credit. The Company was in compliance with its unsecured debt covenants for all periods presented. The following table presents the Company’s selected unsecured public debt covenants as of June 30, 2020, March 31, 2020 and December 31, 2019:

| | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Debt to Adjusted Total Assets (not to exceed 60%) | 31.8% | 32.5% | 33.8% |
| Secured Debt to Adjusted Total Assets (not to exceed 40%) | 9.7% | 8.2% | 8.2% |
| Consolidated Income Available for Debt Service to Maximum Annual Service Charges (must be at least 1.5 to 1) | 4.96 | 5.09 | 5.07 |
| Total Unencumbered Assets to Unsecured Debt (must be at least 125%) | 439.5% | 408.3% | 386.1% |

Note: These selected covenants represent the most restrictive financial covenants relating to ERPOP's outstanding public debt securities and are defined in the indenture relating to such securities. The Company maintains substantial additional borrowing capacity and, as reflected by the above selected covenant information, believes it could currently incur substantial additional debt before it would breach any of its debt covenants.

***Capitalization of Fixed Assets and Improvements to Real Estate***

The Company's and the Operating Partnership's capital expenditures policy has not changed from the information included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019.

For the six months ended June 30, 2020, our actual capital expenditures to real estate included the following (amounts in thousands except for apartment unit and per apartment unit amounts):

**Capital Expenditures to Real Estate**
**For the Six Months Ended June 30, 2020**

| | Same Store Properties (4) | Non-Same Store Properties/Other (5) | Total | Same Store Avg. Per Apartment Unit |
|---|---|---|---|---|
| Total Apartment Units | 74,264 | 4,146 | 78,410 | |
| | | | | |
| Building Improvements (1) | $ 29,657 | $ 1,387 | $ 31,044 | $ 399 |
| Renovation Expenditures (2) | 15,022 | 6 | 15,028 | 202 |
| Replacements (3) | 14,955 | 238 | 15,193 | 202 |
| Total Capital Expenditures to Real Estate | $ 59,634 | $ 1,631 | $ 61,265 | $ 803 |

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

(2) Renovation Expenditures – Apartment unit renovation costs (primarily kitchens and baths) designed to reposition these units for higher rental levels in their respective markets. Amounts for 658 same store apartment units approximated $22,830 per apartment unit renovated.

(3) Replacements – Includes appliances, mechanical equipment, fixtures and flooring (including hardwood and carpeting).

(4) Same Store Properties – Primarily includes all properties acquired or completed that are stabilized prior to January 1, 2019, less properties subsequently sold. Properties are included in Same Store when they are stabilized for all of the current and comparable periods presented.

(5) Non-Same Store Properties/Other – Primarily includes all properties acquired during 2019 and 2020, plus any properties in lease-up and not stabilized as of January 1, 2019. Also includes capital expenditures for properties sold.

The COVID-19 pandemic has led us to temporarily slow our capital expenditures, including our renovation activities, to those deemed essential. Governmental movement restrictions, social distancing requirements, and in some cases, difficulty in procuring materials make continuing these activities more difficult.

During the six months ended June 30, 2020, 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 $15.5 million. The Company expects to fund approximately $6.2 million in total non-real estate capital additions for the remainder of 2020. These year-to-date and anticipated fundings are significantly higher than 2019 and are primarily driven by corporate office renovations during 2020.

***Derivative Instruments***

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company may seek 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 derivative 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 10 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at June 30, 2020.

**Definitions**

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

- Acquisition Cap Rate – NOI that the Company anticipates receiving in the next 12 months (or the year two or three stabilized NOI for properties that are in lease-up at acquisition) less an estimate of property management costs/management fees allocated to the project (generally ranging from 2.0% to 4.0% of revenues depending on the size and income streams of the asset) and less an estimate for in-the-unit replacement capital expenditures (generally ranging from $100-$450 per apartment unit depending on the age and condition of the asset) divided by the gross purchase price of the asset. The weighted average Acquisition Cap Rate for acquired properties is weighted based on the projected NOI streams and the relative purchase price for each respective property.
- Average Rental Rate – Total Residential rental revenues reflected on a straight-line basis in accordance with GAAP divided by the weighted average occupied apartment units for the reporting period presented.
- Blended Rate – The weighted average of New Lease Change and Renewal Rate Achieved.
- Development Yield – NOI that the Company anticipates receiving in the next 12 months following stabilization 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 $50-$150 per apartment unit depending on the type of asset) divided by the Total Budgeted Capital Cost of the asset. The weighted average Development Yield for development properties is weighted based on the projected NOI streams and the relative Total Budgeted Capital Cost 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 sales 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.
- New Lease Change – The change in rent for a lease with a new or transferring resident compared to the rent for the prior lease of the identical apartment unit, regardless of lease term and without concessions or discounts being applied.
- Non-Residential – Consists of revenues and expenses from retail and public parking garage operations.
- 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.
- Renewal Rate Achieved – The change in rent for a new lease on an apartment unit where the lease has been renewed as compared to the rent for the prior lease of the identical apartment unit, regardless of lease term and without concessions or discounts being applied.
- Residential – Consists of multifamily apartment revenues and expenses.

- % of Stabilized Budgeted NOI – Represents original budgeted 2020 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.
- Traffic – Consists of an expression of interest in an apartment by completing an in-person tour, self-guided tour or virtual tour that may result in an application to lease.
- Turnover – Total Residential move-outs (including inter-property and intra-property transfers) divided by total Residential apartment units.
- Unlevered Internal Rate of Return ("IRR") – The Unlevered IRR on sold properties is the compound annual rate of return calculated by the Company based on the timing and amount of: (i) the gross purchase price of the property plus any direct acquisition costs incurred by the Company; (ii) total revenues earned during the Company's ownership period; (iii) total direct property operating expenses (including real estate taxes and insurance) incurred during the Company's ownership period; (iv) capital expenditures incurred during the Company's ownership period; and (v) the gross sales price of the property net of selling costs.
- Weighted Average Coupons – Contractual interest rate for each debt instrument weighted by principal balances as of June 30, 2020. In case of debt for which fair value hedges are in place, the rate payable under the corresponding derivatives is used in lieu of the contractual interest rate.
- Weighted Average Rates – Interest expense for each debt instrument for the six months ended June 30, 2020 weighted by its average principal balance for the same period. Interest expense includes amortization of premiums, discounts and other comprehensive income on debt and related derivative instruments. In case of debt for which derivatives are in place, the income or expense recognized under the corresponding derivatives is included in the total interest expense for the period.

**Off-Balance Sheet Arrangements and Contractual Obligations**

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

The Company's contractual obligations for the next five years and thereafter have not changed materially from the amounts and disclosures included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019. See the updated debt maturity schedule included in Liquidity and Capital Resources for further discussion.

**Critical Accounting Policies and Estimates**

The Company's and the Operating Partnership's critical accounting policies and estimates have not changed from the information included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019.

**Funds From Operations and Normalized Funds From Operations**

The following is the Company's and the Operating Partnership's reconciliation of net income to FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units for the six months and quarters ended June 30, 2020 and 2019:

**Funds From Operations and Normalized Funds From Operations**
***(Amounts in thousands)***

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income | $ 604,152 | $ 430,556 | $ 271,481 | $ 321,299 |
| Net (income) loss attributable to Noncontrolling Interests – Partially Owned Properties | (13,410) | (1,620) | (880) | (821) |
| Preferred/preference distributions | (1,545) | (1,545) | (772) | (772) |
| Net income available to Common Shares and Units / Units | 589,197 | 427,391 | 269,829 | 319,706 |
| Adjustments: | | | | |
| Depreciation | 418,398 | 404,723 | 205,976 | 200,508 |
| Depreciation – Non-real estate additions | (2,307) | (2,303) | (1,020) | (1,121) |
| Depreciation – Partially Owned Properties | (1,686) | (1,802) | (830) | (899) |
| Depreciation – Unconsolidated Properties | 1,224 | 1,772 | 611 | 850 |
| Net (gain) loss on sales of unconsolidated entities - operating assets | — | (69,522) | — | (69,522) |
| Net (gain) loss on sales of real estate properties | (352,243) | (138,835) | (144,266) | (138,856) |
| Noncontrolling Interests share of gain (loss) on sales of real estate properties | 11,655 | — | — | — |
| FFO available to Common Shares and Units / Units (1) (3) (4) | 664,238 | 621,424 | 330,300 | 310,666 |
| Adjustments: | | | | |
| Impairment – non-operating assets | — | — | — | — |
| Write-off of pursuit costs | 3,278 | 2,987 | 1,651 | 1,539 |
| Debt extinguishment and preferred share redemption (gains) losses | 32 | 16,647 | 32 | 16,647 |
| Non-operating asset (gains) losses | 670 | 252 | 229 | 23 |
| Other miscellaneous items | (2,310) | 4,418 | (1,392) | 2,843 |
| Normalized FFO available to Common Shares and Units / Units (2) (3) (4) | $ 665,908 | $ 645,728 | $ 330,820 | $ 331,718 |
| | | | | |
| FFO (1) (3) | $ 665,783 | $ 622,969 | $ 331,072 | $ 311,438 |
| Preferred/preference distributions | (1,545) | (1,545) | (772) | (772) |
| FFO available to Common Shares and Units / Units (1) (3) (4) | $ 664,238 | $ 621,424 | $ 330,300 | $ 310,666 |
| | | | | |
| Normalized FFO (2) (3) | $ 667,453 | $ 647,273 | $ 331,592 | $ 332,490 |
| Preferred/preference distributions | (1,545) | (1,545) | (772) | (772) |
| Normalized FFO available to Common Shares and Units / Units (2) (3) (4) | $ 665,908 | $ 645,728 | $ 330,820 | $ 331,718 |

*(1) The National Association of Real Estate Investment Trusts ("Nareit") defines funds from operations ("FFO") (December 2018 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 real estate and land when connected to the main business of a REIT, impairment write-downs of investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity and depreciation and amortization related to real estate. Adjustments for partially owned consolidated and unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis.*

*(2) Normalized funds from operations ("Normalized FFO") begins with FFO and excludes:*

- *the impact of any expenses relating to non-operating asset impairment;*
- *pursuit cost write-offs;*
- *gains and losses from early debt extinguishment and preferred share redemptions;*
- *gains and losses from non-operating assets; and*
- *other miscellaneous items.*

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

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's and the Operating Partnership's market risk has not changed materially from the amounts and information reported in Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, to the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019. See Note 10 in the Notes to Consolidated Financial Statements for additional discussion of derivative and other fair value instruments.

**Item 4. Controls and Procedures**

*Equity Residential*

**(a) Evaluation of Disclosure Controls and Procedures:**

Effective as of June 30, 2020, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

**(b) Changes in Internal Control over Financial Reporting:**

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to above that occurred during the second quarter of 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*ERP Operating Limited Partnership*

**(a) Evaluation of Disclosure Controls and Procedures:**

Effective as of June 30, 2020, the Operating Partnership carried out an evaluation, under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of EQR, of the effectiveness of the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

**(b) Changes in Internal Control over Financial Reporting:**

There were no changes to the internal control over financial reporting of the Operating Partnership identified in connection with the Operating Partnership's evaluation referred to above that occurred during the second quarter of 2020 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

As of June 30, 2020, the Company does not believe there is any litigation pending or threatened against it that, individually or in the aggregate, may reasonably be expected to have a material adverse effect on the Company.

### Item 1A. Risk Factors

The Company's risk factor disclosures in Part I, Item 1A of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019 are hereby supplemented as follows:

*Risk of Pandemics or Other Health Crisis.*

A pandemic, epidemic or other health crisis, similar to the recent outbreak of COVID-19, affecting areas where our properties, corporate/regional offices or major service providers are located could have an adverse effect on our business, results of operations, cash flows and financial condition.

*The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.*

In December 2019, COVID-19 was first reported in Wuhan, China, and in March 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on movement and business operations such as travel bans, border closings, business closures, quarantines, social distancing and shelter-in-place orders. The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you conditions will not continue to deteriorate as a result of the pandemic.

The impact of the COVID-19 pandemic and measures to prevent its spread could materially negatively impact our business, results of operations, financial condition and liquidity in a number of ways, including:

- A decrease in our rental revenues or increase in related reserves and write-offs as a potential result of:
    - Our residents' and tenants' ability to pay their rent on time or at all and the demand for multifamily properties within our markets;
    - Our geographic concentrations, especially in our dense urban submarkets which often makes social distancing more difficult, may experience longer periods of economic disruption due to delays in business re-openings and/or required re-closures, as a result of which we may be more susceptible to the impact of COVID-19;
    - Changes in resident preferences, including changes due to increased employer flexibility to work from home, making them less likely to want to live in dense urban centers where we own many of our properties or to want to live in denser forms of multifamily housing like the high-rise or mid-rise housing the Company owns;
    - The concessions made, and those that continue to be made, to residents' rent obligations, which may not be on terms as favorable to us as those currently in place;
    - The deterioration of global economic conditions as a result of the pandemic may ultimately decrease occupancy levels and pricing across our portfolio as residents reduce or defer their spending;
    - Resident or tenant nonpayment, default or bankruptcy, as a result of which we may incur costs in protecting our investment and releasing our property;
    - The risk that local and national authorities may expand or extend certain measures imposing restrictions on our ability to enforce residents' or tenants' contractual rental obligations and limiting our ability to raise rents;
    - The risk that local and national authorities may not extend or may reduce the government stimulus and relief

programs which may be providing benefits to our residents (or employers of our residents) and tenants;

- Restrictions inhibiting our employees' ability to meet with existing and potential residents has disrupted and could in the future further disrupt our ability to lease apartments which could adversely impact our rental rate and occupancy levels; and
- Ground floor retail and parking garage operations in our apartment buildings are vulnerable to the effects from the COVID-19 pandemic, which we expect may adversely impact our retail tenants' and parking garage operations and, in turn, could result in an increase in tenant/garage operator defaults, rent deferrals/abatements and rent reductions.

- The risk that our access to capital at attractive terms may be diminished due to, among other factors: (i) potential disruptions in the long-term debt and commercial paper markets; (ii) the risk that a prolonged economic slowdown or recession could negatively impact our lending counterparties; and (iii) reductions in the Company's credit ratings as a result of a protracted increase in unemployment or reduced income of our residents and tenants;
- The risk that we may lose our ability to borrow under our commercial paper program if our credit ratings were to fall below investment grade;
- The risk of a prolonged outbreak and/or second wave of an outbreak causing long-term damage to economic conditions, which in turn could cause material declines in the fair value of our assets, leading to asset impairment charges;
- A general decline in the real estate market or demand for real estate transactions could hinder our ability to acquire or dispose of properties, including through our joint ventures. Also, a possible increase in distressed sales of real estate due to the impact of COVID-19 could decrease real estate values in our markets and limit our ability to sell our properties at advantageous prices or at all;
- The risk of delays in our development and renovation projects due to construction moratoriums (such as what occurred with our Boston development project), governmental movement restrictions, social distancing requirements, the closure of many permitting and inspection agencies and disruptions in the supply of construction materials due to problems in the supply chain or otherwise;
- A possible further decline in the price of our common shares due to a prolonged economic recession or other impacts described herein;
- The risk of a prolonged outbreak which could cause an adverse impact on our future financial results, cash flows and financial condition and therefore our ability to pay dividends;
- Increased risks of potential cyber attacks due to an increased reliance on remote working and other interactions with our current and prospective residents; and
- Potential inability to maintain adequate staffing at our properties and corporate/regional offices due to shelter-in-place orders, an outbreak at one or more of our properties or corporate/regional offices and/or the continued duration or expansion of the pandemic.

The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future developments including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict. Due to the speed with which the situation is continuing to develop, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, cash flows and financial condition could be material.

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

*(a) Unregistered Common Shares Issued in the Quarter Ended June 30, 2020 - Equity Residential*

During the quarter ended June 30, 2020, EQR issued 55,418 Common Shares in exchange for 55,418 OP Units held by various limited partners of ERPOP. OP Units are generally exchangeable into Common Shares on a one-for-one basis or, at the option of ERPOP, the cash equivalent thereof, at any time one year after the date of issuance. These shares were either registered under the Securities Act of 1933, as amended (the "Securities Act"), or issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act and the rules and regulations promulgated thereunder, as these were transactions by an issuer not involving a public offering. In light of the manner of the sale and information obtained by EQR from the limited partners in connection with these transactions, EQR believes it may rely on these exemptions.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits** – See the Exhibit Index.

**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 | | Second Amendment to Eighth Amended and Restated Bylaws of Equity Residential, effective as of May 4, 2020. | Included as Exhibit 3.1 to Equity Residential's Form 8-K dated May 4, 2020, filed on May 8, 2020. |
| 10.1 | * | Amendment to the Equity Residential Supplemental Executive Retirement Plan, effective as of June 1, 2020. | Attached herein. |
| 31.1 | | Equity Residential – Certification of Mark J. Parrell, Chief Executive Officer. | Attached herein. |
| 31.2 | | Equity Residential – Certification of Robert A. Garechana, Chief Financial Officer. | Attached herein. |
| 31.3 | | ERP Operating Limited Partnership – Certification of Mark J. Parrell, Chief Executive Officer of Registrant's General Partner. | Attached herein. |
| 31.4 | | ERP Operating Limited Partnership – Certification of Robert A. Garechana, 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 Mark J. Parrell, Chief Executive Officer of the Company. | Attached herein. |
| 32.2 | | Equity Residential – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Robert A. Garechana, 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 Mark J. Parrell, 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 Robert A. Garechana, Chief Financial Officer of Registrant's General Partner. | Attached herein. |
| 101.INS | | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. | |
| 101.SCH | | Inline XBRL Taxonomy Extension Schema Document. | |
| 101.CAL | | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | |
| 101.DEF | | Inline XBRL Taxonomy Extension Definition Linkbase Document. | |
| 101.LAB | | Inline XBRL Taxonomy Extension Label Linkbase Document. | |
| 101.PRE | | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | |
| 104 | | Cover Page Interactive Data File (embedded within the Inline XBRL document). | |

*Management contracts and compensatory plans or arrangements filed as exhibits to this report are identified by an asterisk.

**SIGNATURES**

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

EQUITY RESIDENTIAL

Date: August 3, 2020 By: /s/ Robert A. Garechana
Robert A. Garechana
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2020 By: /s/ Ian S. Kaufman
Ian S. Kaufman
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

ERP OPERATING LIMITED PARTNERSHIP
BY: EQUITY RESIDENTIAL
ITS GENERAL PARTNER

Date: August 3, 2020 By: /s/ Robert A. Garechana
Robert A. Garechana
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2020 By: /s/ Ian S. Kaufman
Ian S. Kaufman
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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# Section 2: EX-10.1 (EX-10.1)

**Exhibit 10.1**

**AMENDMENT TO THE**
**EQUITY RESIDENTIAL**
**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**Premises**

a. Equity Residential (the “Company”) maintains the Equity Residential Supplemental Executive Retirement Plan (the “Plan”).

b. Section 10 of the Plan provides that the Company may amend the Plan at any time.

c. The Company wishes to amend the Plan to eliminate certain entry dates.

**Amendments**

NOW, THEREFORE, the Company hereby amends Section 2.11 of the Plan to read as follows effective June 1, 2020:

> **Entry Date** means (i) the January 1 and April 1 (or such other date as is determined by the Plan Administrator with respect to a Participant) after an individual first becomes an Eligible Employee or an Eligible Trustee (the "Initial Entry Date"); or (ii) the beginning of any Plan Year after the Participant's Initial Entry Date. Notwithstanding the foregoing, the Initial Entry Date of an employee who becomes an Eligible Employee based on such employee’s status as a highly compensated employee with respect to the Equity Residential Advantage Retirement Savings Plan shall be April 1 of the Plan Year during which the employee is first considered a highly compensated employee.

Dated this 18th day of May , 2020.

/s/ Catherine M. Carroway
Catherine Carroway
Senior Vice President, Human Resources

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# Section 3: EX-31.1 (EX-31.1)

**Exhibit 31.1**

**Equity Residential**
**CERTIFICATIONS**

I, Mark J. Parrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity Residential;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ Mark J. Parrell
Mark J. Parrell
Chief Executive Officer

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# Section 4: EX-31.2 (EX-31.2)

**Exhibit 31.2**

**Equity Residential**
**CERTIFICATIONS**

I, Robert A. Garechana, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity Residential;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ Robert A. Garechana
Robert A. Garechana
Chief Financial Officer

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# Section 5: EX-31.3 (EX-31.3)

**Exhibit 31.3**

**ERP Operating Limited Partnership**
**CERTIFICATIONS**

I, Mark J. Parrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ERP Operating Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ Mark J. Parrell
Mark J. Parrell
Chief Executive Officer of Registrant's General Partner

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# Section 6: EX-31.4 (EX-31.4)

**Exhibit 31.4**

**ERP Operating Limited Partnership**
**CERTIFICATIONS**

I, Robert A. Garechana, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ERP Operating Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ Robert A. Garechana
Robert A. Garechana
Chief Financial Officer of Registrant's General Partner

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# Section 7: EX-32.1 (EX-32.1)

**Exhibit 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**

In connection with the Quarterly Report of Equity Residential (the "Company") on Form 10-Q for the period ending June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark J. Parrell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark J. Parrell
Mark J. Parrell
Chief Executive Officer
August 3, 2020

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# Section 8: EX-32.2 (EX-32.2)

**Exhibit 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**

In connection with the Quarterly Report of Equity Residential (the "Company") on Form 10-Q for the period ending June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Garechana, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert A. Garechana
Robert A. Garechana
Chief Financial Officer
August 3, 2020

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# Section 9: EX-32.3 (EX-32.3)

**Exhibit 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**

In connection with the Quarterly Report of ERP Operating Limited Partnership (the "Operating Partnership") on Form 10-Q for the period ending June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark J. Parrell, Chief Executive Officer of Equity Residential, general partner of the Operating Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ Mark J. Parrell
Mark J. Parrell
Chief Executive Officer
of Registrant's General Partner
August 3, 2020

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# Section 10: EX-32.4 (EX-32.4)

**Exhibit 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**

In connection with the Quarterly Report of ERP Operating Limited Partnership (the "Operating Partnership") on Form 10-Q for the period ending June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Garechana, Chief Financial Officer of Equity Residential, general partner of the Operating Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ Robert A. Garechana
Robert A. Garechana
Chief Financial Officer
of Registrant's General Partner
August 3, 2020

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