ERP OPERATING LTD PARTNERSHIP
Form 10-Q
August 06, 2015
Table of Contents

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

FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JUNE 30, 2015

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

For the transition period from to

Commission File Number: 1-12252 (Equity Residential)
Commission File Number: 0-24920 (ERP Operating Limited Partnership)

EQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

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

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 x No ¨ ERP Operating Limited Partnership Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Equity Residential Yes x No ¨ ERP Operating Limited Partnership Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Equity Residential:
Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
ERP Operating Limited Partnership:	
Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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 x ERP Operating Limited Partnership Yes ¨ No x
The number of EQR Common Shares of Beneficial Interest, $0.01 par value, outstanding on July 31, 2015 was 364,082,263.

Table of Contents

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2015 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, 2015 owned an approximate 96.2% ownership interest in, ERPOP. The remaining 3.8% interest is owned by limited partners. As the sole general partner of ERPOP, EQR has exclusive control of ERPOP's day-to-day management.

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. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in ERPOP, which 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. The Company maintains a one-for-one relationship between the OP Units of ERPOP issued to EQR and the 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.

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 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 and guarantees certain debt of ERPOP, as disclosed in this report. EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by EQR, which are contributed to

Table of Contents

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

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

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

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

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

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

Table of Contents

TABLE OF CONTENTS

	PAGE
PART I.	
Item 1. Financial Statements of Equity Residential:	
Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014	2
Consolidated Statements of Operations and Comprehensive Income for the six months and quarters ended June 30, 2015 and 2014	3 to 4
Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014	5 to 7
Consolidated Statement of Changes in Equity for the six months ended June 30, 2015	8 to 9
Financial Statements of ERP Operating Limited Partnership:	
Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014	10
Consolidated Statements of Operations and Comprehensive Income for the six months and quarters ended June 30, 2015 and 2014	11 to 12
Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014	13 to 15
Consolidated Statement of Changes in Capital for the six months ended June 30, 2015	16 to 17
Notes to Consolidated Financial Statements of Equity Residential and ERP Operating Limited Partnership	18 to 42
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	43 to 66
Item 3. Quantitative and Qualitative Disclosures about Market Risk	66
Item 4. Controls and Procedures	66 to 67
PART II.	
Item 1. Legal Proceedings	68
Item 1A. Risk Factors	68
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	68
Item 3. Defaults Upon Senior Securities	68
Item 4. Mine Safety Disclosures	68

Item 5. Other Information	68
Item 6. Exhibits	68

Table of Contents

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

	June 30, 2015	December 31, 2014
ASSETS		
Investment in real estate		
Land	$6,374,779	$6,295,404
Depreciable property	20,290,324	19,851,504
Projects under development	1,240,244	1,343,919
Land held for development	127,559	184,556
Investment in real estate	28,032,906	27,675,383
Accumulated depreciation	(5,736,913)	(5,432,805)
Investment in real estate, net	22,295,993	22,242,578
Cash and cash equivalents	92,109	40,080
Investments in unconsolidated entities	94,718	105,434
Deposits – restricted	103,508	72,303
Escrow deposits – mortgage	52,862	48,085
Deferred financing costs, net	59,605	58,380
Other assets	383,035	383,754
Total assets	$23,081,830	$22,950,614
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	$4,952,579	$5,086,515
Notes, net	5,875,328	5,425,346
Line of credit and commercial paper	—	333,000
Accounts payable and accrued expenses	193,096	153,590
Accrued interest payable	87,131	89,540
Other liabilities	355,632	389,915
Security deposits	76,112	75,633
Distributions payable	209,041	188,566
Total liabilities	11,748,919	11,742,105
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	488,178	500,733
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized; 803,600 shares issued and outstanding as of June 30, 2015 and 1,000,000 shares issued and outstanding as of December 31, 2014	40,180	50,000
Common Shares of beneficial interest, $0.01 par value; 1,000,000,000 shares authorized; 364,050,890 shares issued and outstanding as of June 30, 2015 and 362,855,454 shares issued and outstanding as of December 31, 2014	3,641	3,629
Paid in capital	8,607,889	8,536,340

Retained earnings	2,012,909	1,950,639
Accumulated other comprehensive (loss)	(163,855)	(172,152)
Total shareholders’ equity	10,500,764	10,368,456
Noncontrolling Interests:		
Operating Partnership	221,601	214,411
Partially Owned Properties	122,368	124,909
Total Noncontrolling Interests	343,969	339,320
Total equity	10,844,733	10,707,776
Total liabilities and equity	$23,081,830	$22,950,614

See accompanying notes

2

Table of Contents

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,	
	2015	2014	2015	2014
REVENUES				
Rental income	$1,341,114	$1,280,491	$676,508	$649,766
Fee and asset management	4,369	5,519	2,604	2,802
Total revenues	1,345,483	1,286,010	679,112	652,568
EXPENSES				
Property and maintenance	242,565	240,948	118,005	115,382
Real estate taxes and insurance	169,551	165,149	83,119	83,055
Property management	41,962	42,673	20,518	20,555
Fee and asset management	2,595	3,040	1,274	1,378
Depreciation	388,803	375,303	194,282	190,136
General and administrative	35,652	31,328	15,730	13,752
Total expenses	881,128	858,441	432,928	424,258
Operating income	464,355	427,569	246,184	228,310
Interest and other income	6,650	2,637	6,481	2,032
Other expenses	(1,700)	(2,203)	(1,770)	(1,539)
Interest:				
Expense incurred, net	(219,417)	(228,973)	(110,795)	(115,924)
Amortization of deferred financing costs	(5,127)	(5,926)	(2,538)	(3,134)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	244,761	193,104	137,562	109,745
Income and other tax (expense) benefit	(369)	(886)	(326)	(646)
Income (loss) from investments in unconsolidated entities	15,429	(9,025)	12,466	(7,616)
Net gain on sales of real estate properties	228,753	14,903	148,802	14,903
Net (loss) gain on sales of land parcels	(1)	794	—	824
Income from continuing operations	488,573	198,890	298,504	117,210
Discontinued operations, net	269	1,562	114	510
Net income	488,842	200,452	298,618	117,720
Net (income) attributable to Noncontrolling Interests:				
Operating Partnership	(18,413)	(7,535)	(11,354)	(4,442)
Partially Owned Properties	(1,487)	(1,092)	(844)	(588)
Net income attributable to controlling interests	468,942	191,825	286,420	112,690
Preferred distributions	(1,724)	(2,072)	(833)	(1,036)
Premium on redemption of Preferred Shares	(2,789)	—	—	—
Net income available to Common Shares	$464,429	$189,753	$285,587	$111,654
Earnings per share – basic:				
	$1.28	$0.52	$0.79	$0.31

Income from continuing operations available to Common Shares				
Net income available to Common Shares	$1.28	$0.53	$0.79	$0.31
Weighted average Common Shares outstanding	363,288	360,641	363,476	360,809
Earnings per share – diluted:				
Income from continuing operations available to Common Shares	$1.27	$0.52	$0.78	$0.31
Net income available to Common Shares	$1.27	$0.52	$0.78	$0.31
Weighted average Common Shares outstanding	380,346	376,780	380,491	377,118
Distributions declared per Common Share outstanding	$1.105	$1.00	$0.5525	$0.50

See accompanying notes

3

Table of Contents

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,	
	2015	2014	2015	2014
Comprehensive income:				
Net income	$488,842	$200,452	$298,618	$117,720
Other comprehensive income (loss):				
Other comprehensive (loss) income – derivative instruments:				
Unrealized holding (losses) gains arising during the period	(112)	(21,881)	11,676	(9,929)
Losses reclassified into earnings from other comprehensive income	8,911	8,335	4,573	4,206
Other comprehensive (loss) income – foreign currency:				
Currency translation adjustments arising during the period	(502)	1,718	(82)	1,627
Other comprehensive income (loss)	8,297	(11,828)	16,167	(4,096)
Comprehensive income	497,139	188,624	314,785	113,624
Comprehensive (income) attributable to Noncontrolling Interests	(20,219)	(8,175)	(12,817)	(4,873)
Comprehensive income attributable to controlling interests	$476,920	$180,449	$301,968	$108,751

See accompanying notes

Table of Contents

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

	Six Months Ended June 30,			
	2015		2014	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$488,842		$200,452	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	388,803		375,303	
Amortization of deferred financing costs	5,127		5,926	
Amortization of above/below market leases	1,691		1,530	
Amortization of discounts and premiums on debt	(5,611	)	(5,876	)
Amortization of deferred settlements on derivative instruments	8,751		8,068	
Write-off of pursuit costs	1,651		1,492	
(Income) loss from investments in unconsolidated entities	(15,429	)	9,025	
Distributions from unconsolidated entities – return on capital	2,193		2,390	
Net (gain) on sale of investment securities	(387	)	(57	)
Net (gain) on sales of real estate properties	(228,753	)	(14,903	)
Net loss (gain) on sales of land parcels	1		(794	)
Net (gain) on sales of discontinued operations	—		(224	)
Unrealized loss (gain) on derivative instruments	51		(90	)
Compensation paid with Company Common Shares	24,017		21,905	
Changes in assets and liabilities:				
(Increase) in deposits – restricted	(288	)	(1,820	)
(Increase) decrease in mortgage deposits	(382	)	187	
(Increase) in other assets	(4,553	)	(7,745	)
Increase in accounts payable and accrued expenses	22,350		38,951	
(Decrease) increase in accrued interest payable	(2,409	)	80	
(Decrease) in other liabilities	(11,097	)	(17,237	)
Increase in security deposits	479		2,916	
Net cash provided by operating activities	675,047		619,479	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment in real estate – acquisitions	(136,995	)	(265,466	)
Investment in real estate – development/other	(324,343	)	(245,657	)
Capital expenditures to real estate	(81,962	)	(76,912	)
Non-real estate capital additions	(1,955	)	(1,818	)
Interest capitalized for real estate and unconsolidated entities under development	(30,432	)	(25,037	)
Proceeds from disposition of real estate, net	379,863		48,359	
Investments in unconsolidated entities	(4,786	)	(9,554	)
Distributions from unconsolidated entities – return of capital	26,147		64,669	
Proceeds from sale of investment securities	387		57	
(Increase) decrease in deposits on real estate acquisitions and investments, net	(31,247	)	20,979	
(Increase) decrease in mortgage deposits	(226	)	760	
Net cash (used for) investing activities	(205,549	)	(489,620	)

See accompanying notes

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

	Six Months Ended June 30,			
	2015		2014	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Debt financing costs	$(6,352	)	$(10,881	)
Mortgage deposits	(4,169	)	(3,580	)
Mortgage notes payable:				
Lump sum payoffs	(121,488	)	(3,064	)
Scheduled principal repayments	(5,028	)	(6,000	)
Notes, net:				
Proceeds	746,391		1,194,277	
Lump sum payoffs	(300,000	)	(750,000	)
Line of credit and commercial paper:				
Line of credit proceeds	3,553,000		3,374,000	
Line of credit repayments	(3,886,000	)	(3,489,000	)
Commercial paper proceeds	2,266,924		—	
Commercial paper repayments	(2,267,500	)	—	
(Payments on) settlement of derivative instruments	(13,938	)	(733	)
Proceeds from Employee Share Purchase Plan (ESPP)	2,610		2,218	
Proceeds from exercise of options	33,984		25,685	
Common Shares repurchased and retired	—		(1,777	)
Redemption of Preferred Shares	(9,820	)	—	
Premium on redemption of Preferred Shares	(2,789	)	—	
Payment of offering costs	(40	)	—	
Other financing activities, net	(33	)	(33	)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—		(5,501	)
Contributions – Noncontrolling Interests – Partially Owned Properties	—		5,684	
Contributions – Noncontrolling Interests – Operating Partnership	1		3	
Distributions:				
Common Shares	(382,441	)	(414,843	)
Preferred Shares	(1,724	)	(2,072	)
Noncontrolling Interests – Operating Partnership	(15,062	)	(16,405	)
Noncontrolling Interests – Partially Owned Properties	(3,995	)	(5,239	)
Net cash (used for) financing activities	(417,469	)	(107,261	)
Net increase in cash and cash equivalents	52,029		22,598	
Cash and cash equivalents, beginning of period	40,080		53,534	
Cash and cash equivalents, end of period	$92,109		$76,132	

See accompanying notes

Table of Contents

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

	Six Months Ended June 30, 2015	2014
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$218,965	$226,785
Net cash paid for income and other taxes	$895	$843
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(7,420)	$(7,011)
Notes, net	$1,233	$1,135
Line of credit and commercial paper	$576	$—
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(160)	$(267)
Accumulated other comprehensive income	$8,911	$8,335
Write-off of pursuit costs:		
Investment in real estate, net	$1,260	$1,435
Deposits – restricted	$330	$—
Other assets	$61	$57
(Income) loss from investments in unconsolidated entities:		
Investments in unconsolidated entities	$(16,767)	$7,354
Other liabilities	$1,338	$1,671
Distributions from unconsolidated entities – return on capital:		
Investments in unconsolidated entities	$2,125	$2,285
Other liabilities	$68	$105
Unrealized loss (gain) on derivative instruments:		
Other assets	$(3,873)	$10,611
Notes, net	$2,358	$1,452
Other liabilities	$1,678	$9,728
Accumulated other comprehensive income	$(112)	$(21,881)
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(30,432)	$(25,002)
Investments in unconsolidated entities	$—	$(35)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	$(1,291)	$(2,354)
Other liabilities	$(3,495)	$(7,200)
Other:		
Foreign currency translation adjustments	$502	$(1,718)

See accompanying notes
7

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2015
SHAREHOLDERS' EQUITY	
PREFERRED SHARES	
Balance, beginning of year	$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	(9,820)
Balance, end of period	$40,180
COMMON SHARES, $0.01 PAR VALUE	
Balance, beginning of year	$3,629
Conversion of OP Units into Common Shares	2
Exercise of share options	8
Share-based employee compensation expense:	
Restricted shares	2
Balance, end of period	$3,641
PAID IN CAPITAL	
Balance, beginning of year	$8,536,340
Common Share Issuance:	
Conversion of OP Units into Common Shares	4,117
Exercise of share options	33,976
Employee Share Purchase Plan (ESPP)	2,610
Conversion of restricted shares to restricted units	(70)
Share-based employee compensation expense:	
Restricted shares	10,343
Share options	2,028
ESPP discount	533
Offering costs	(40)
Supplemental Executive Retirement Plan (SERP)	(2,227)
Change in market value of Redeemable Noncontrolling Interests – Operating Partnership	13,966
Adjustment for Noncontrolling Interests ownership in Operating Partnership	6,313
Balance, end of period	$8,607,889
RETAINED EARNINGS	
Balance, beginning of year	$1,950,639
Net income attributable to controlling interests	468,942
Common Share distributions	(402,159)
Preferred Share distributions	(1,724)
Premium on redemption of Preferred Shares – cash charge	(2,789)
Balance, end of period	$2,012,909

See accompanying notes

Table of Contents

EQUITY RESIDENTIAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2015
SHAREHOLDERS' EQUITY (continued)	
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(172,152)
Accumulated other comprehensive (loss) income – derivative instruments:	
Unrealized holding (losses) arising during the period	(112)
Losses reclassified into earnings from other comprehensive income	8,911
Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(502)
Balance, end of period	$(163,855)
NONCONTROLLING INTERESTS	
OPERATING PARTNERSHIP	
Balance, beginning of year	$214,411
Issuance of restricted units to Noncontrolling Interests	1
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(4,119)
Conversion of restricted shares to restricted units	70
Equity compensation associated with Noncontrolling Interests	16,368
Net income attributable to Noncontrolling Interests	18,413
Distributions to Noncontrolling Interests	(15,819)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	(1,411)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(6,313)
Balance, end of period	$221,601
PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$124,909
Net income attributable to Noncontrolling Interests	1,487
Distributions to Noncontrolling Interests	(4,028)
Balance, end of period	$122,368

See accompanying notes
9

Table of Contents

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

	June 30, 2015	December 31, 2014
ASSETS		
Investment in real estate		
Land	$6,374,779	$6,295,404
Depreciable property	20,290,324	19,851,504
Projects under development	1,240,244	1,343,919
Land held for development	127,559	184,556
Investment in real estate	28,032,906	27,675,383
Accumulated depreciation	(5,736,913)	(5,432,805)
Investment in real estate, net	22,295,993	22,242,578
Cash and cash equivalents	92,109	40,080
Investments in unconsolidated entities	94,718	105,434
Deposits – restricted	103,508	72,303
Escrow deposits – mortgage	52,862	48,085
Deferred financing costs, net	59,605	58,380
Other assets	383,035	383,754
Total assets	$23,081,830	$22,950,614
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable	$4,952,579	$5,086,515
Notes, net	5,875,328	5,425,346
Line of credit and commercial paper	—	333,000
Accounts payable and accrued expenses	193,096	153,590
Accrued interest payable	87,131	89,540
Other liabilities	355,632	389,915
Security deposits	76,112	75,633
Distributions payable	209,041	188,566
Total liabilities	11,748,919	11,742,105
Commitments and contingencies		
Redeemable Limited Partners	488,178	500,733
Capital:		
Partners' Capital:		
Preference Units	40,180	50,000
General Partner	10,624,439	10,490,608
Limited Partners	221,601	214,411
Accumulated other comprehensive (loss)	(163,855)	(172,152)
Total partners' capital	10,722,365	10,582,867
Noncontrolling Interests – Partially Owned Properties	122,368	124,909
Total capital	10,844,733	10,707,776
Total liabilities and capital	$23,081,830	$22,950,614

See accompanying notes

Table of Contents

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,	
	2015	2014	2015	2014
REVENUES				
Rental income	$1,341,114	$1,280,491	$676,508	$649,766
Fee and asset management	4,369	5,519	2,604	2,802
Total revenues	1,345,483	1,286,010	679,112	652,568
EXPENSES				
Property and maintenance	242,565	240,948	118,005	115,382
Real estate taxes and insurance	169,551	165,149	83,119	83,055
Property management	41,962	42,673	20,518	20,555
Fee and asset management	2,595	3,040	1,274	1,378
Depreciation	388,803	375,303	194,282	190,136
General and administrative	35,652	31,328	15,730	13,752
Total expenses	881,128	858,441	432,928	424,258
Operating income	464,355	427,569	246,184	228,310
Interest and other income	6,650	2,637	6,481	2,032
Other expenses	(1,700)	(2,203)	(1,770)	(1,539)
Interest:				
Expense incurred, net	(219,417)	(228,973)	(110,795)	(115,924)
Amortization of deferred financing costs	(5,127)	(5,926)	(2,538)	(3,134)
Income before income and other taxes, income (loss) from investments in unconsolidated entities, net gain (loss) on sales of real estate properties and land parcels and discontinued operations	244,761	193,104	137,562	109,745
Income and other tax (expense) benefit	(369)	(886)	(326)	(646)
Income (loss) from investments in unconsolidated entities	15,429	(9,025)	12,466	(7,616)
Net gain on sales of real estate properties	228,753	14,903	148,802	14,903
Net (loss) gain on sales of land parcels	(1)	794	—	824
Income from continuing operations	488,573	198,890	298,504	117,210
Discontinued operations, net	269	1,562	114	510
Net income	488,842	200,452	298,618	117,720
Net (income) attributable to Noncontrolling Interests – Partially Owned Properties	(1,487)	(1,092)	(844)	(588)
Net income attributable to controlling interests	$487,355	$199,360	$297,774	$117,132
ALLOCATION OF NET INCOME:				
Preference Units	$1,724	$2,072	$833	$1,036
Premium on redemption of Preference Units	$2,789	$—	$—	$—
General Partner	$464,429	$189,753	$285,587	$111,654

Limited Partners	18,413	7,535	11,354	4,442
Net income available to Units	$482,842	$197,288	$296,941	$116,096
Earnings per Unit – basic:				
Income from continuing operations available to Units	$1.28	$0.52	$0.79	$0.31
Net income available to Units	$1.28	$0.53	$0.79	$0.31
Weighted average Units outstanding	376,880	374,377	377,063	374,551
Earnings per Unit – diluted:				
Income from continuing operations available to Units	$1.27	$0.52	$0.78	$0.31
Net income available to Units	$1.27	$0.52	$0.78	$0.31
Weighted average Units outstanding	380,346	376,780	380,491	377,118
Distributions declared per Unit outstanding	$1.105	$1.00	$0.5525	$0.50

See accompanying notes

Table of Contents

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,	
	2015	2014	2015	2014
Comprehensive income:				
Net income	$488,842	$200,452	$298,618	$117,720
Other comprehensive income (loss):				
Other comprehensive (loss) income – derivative instruments:				
Unrealized holding (losses) gains arising during the period	(112)	(21,881)	11,676	(9,929)
Losses reclassified into earnings from other comprehensive income	8,911	8,335	4,573	4,206
Other comprehensive (loss) income – foreign currency:				
Currency translation adjustments arising during the period	(502)	1,718	(82)	1,627
Other comprehensive income (loss)	8,297	(11,828)	16,167	(4,096)
Comprehensive income	497,139	188,624	314,785	113,624
Comprehensive (income) attributable to Noncontrolling Interests – Partially Owned Properties	(1,487)	(1,092)	(844)	(588)
Comprehensive income attributable to controlling interests	$495,652	$187,532	$313,941	$113,036

See accompanying notes

12

Table of Contents

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

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$488,842	$200,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	388,803	375,303
Amortization of deferred financing costs	5,127	5,926
Amortization of above/below market leases	1,691	1,530
Amortization of discounts and premiums on debt	(5,611)	(5,876)
Amortization of deferred settlements on derivative instruments	8,751	8,068
Write-off of pursuit costs	1,651	1,492
(Income) loss from investments in unconsolidated entities	(15,429)	9,025
Distributions from unconsolidated entities – return on capital	2,193	2,390
Net (gain) on sale of investment securities	(387)	(57)
Net (gain) on sales of real estate properties	(228,753)	(14,903)
Net loss (gain) on sales of land parcels	1	(794)
Net (gain) on sales of discontinued operations	—	(224)
Unrealized loss (gain) on derivative instruments	51	(90)
Compensation paid with Company Common Shares	24,017	21,905
Changes in assets and liabilities:		
(Increase) in deposits – restricted	(288)	(1,820)
(Increase) decrease in mortgage deposits	(382)	187
(Increase) in other assets	(4,553)	(7,745)
Increase in accounts payable and accrued expenses	22,350	38,951
(Decrease) increase in accrued interest payable	(2,409)	80
(Decrease) in other liabilities	(11,097)	(17,237)
Increase in security deposits	479	2,916
Net cash provided by operating activities	675,047	619,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate – acquisitions	(136,995)	(265,466)
Investment in real estate – development/other	(324,343)	(245,657)
Capital expenditures to real estate	(81,962)	(76,912)
Non-real estate capital additions	(1,955)	(1,818)
Interest capitalized for real estate and unconsolidated entities under development	(30,432)	(25,037)
Proceeds from disposition of real estate, net	379,863	48,359
Investments in unconsolidated entities	(4,786)	(9,554)
Distributions from unconsolidated entities – return of capital	26,147	64,669
Proceeds from sale of investment securities	387	57
(Increase) decrease in deposits on real estate acquisitions and investments, net	(31,247)	20,979
(Increase) decrease in mortgage deposits	(226)	760
Net cash (used for) investing activities	(205,549)	(489,620)

See accompanying notes

Table of Contents

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

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	$(6,352)	$(10,881)
Mortgage deposits	(4,169)	(3,580)
Mortgage notes payable:		
Lump sum payoffs	(121,488)	(3,064)
Scheduled principal repayments	(5,028)	(6,000)
Notes, net:		
Proceeds	746,391	1,194,277
Lump sum payoffs	(300,000)	(750,000)
Line of credit and commercial paper:		
Line of credit proceeds	3,553,000	3,374,000
Line of credit repayments	(3,886,000)	(3,489,000)
Commercial paper proceeds	2,266,924	—
Commercial paper repayments	(2,267,500)	—
(Payments on) settlement of derivative instruments	(13,938)	(733)
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	2,610	2,218
Proceeds from exercise of EQR options	33,984	25,685
OP Units repurchased and retired	—	(1,777)
Redemption of Preference Units	(9,820)	—
Premium on redemption of Preference Units	(2,789)	—
Payment of offering costs	(40)	—
Other financing activities, net	(33)	(33)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(5,501)
Contributions – Noncontrolling Interests – Partially Owned Properties	—	5,684
Contributions – Limited Partners	1	3
Distributions:		
OP Units – General Partner	(382,441)	(414,843)
Preference Units	(1,724)	(2,072)
OP Units – Limited Partners	(15,062)	(16,405)
Noncontrolling Interests – Partially Owned Properties	(3,995)	(5,239)
Net cash (used for) financing activities	(417,469)	(107,261)
Net increase in cash and cash equivalents	52,029	22,598
Cash and cash equivalents, beginning of period	40,080	53,534
Cash and cash equivalents, end of period	$92,109	$76,132

See accompanying notes
14

Table of Contents

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

	Six Months Ended June 30,	
	2015	2014
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$218,965	$226,785
Net cash paid for income and other taxes	$895	$843
Amortization of discounts and premiums on debt:		
Mortgage notes payable	$(7,420)	$(7,011)
Notes, net	$1,233	$1,135
Line of credit and commercial paper	$576	$—
Amortization of deferred settlements on derivative instruments:		
Other liabilities	$(160)	$(267)
Accumulated other comprehensive income	$8,911	$8,335
Write-off of pursuit costs:		
Investment in real estate, net	$1,260	$1,435
Deposits – restricted	$330	$—
Other assets	$61	$57
(Income) loss from investments in unconsolidated entities:		
Investments in unconsolidated entities	$(16,767)	$7,354
Other liabilities	$1,338	$1,671
Distributions from unconsolidated entities – return on capital:		
Investments in unconsolidated entities	$2,125	$2,285
Other liabilities	$68	$105
Unrealized loss (gain) on derivative instruments:		
Other assets	$(3,873)	$10,611
Notes, net	$2,358	$1,452
Other liabilities	$1,678	$9,728
Accumulated other comprehensive income	$(112)	$(21,881)
Interest capitalized for real estate and unconsolidated entities under development:		
Investment in real estate, net	$(30,432)	$(25,002)
Investments in unconsolidated entities	$—	$(35)
Investments in unconsolidated entities:		
Investments in unconsolidated entities	$(1,291)	$(2,354)
Other liabilities	$(3,495)	$(7,200)
Other:		
Foreign currency translation adjustments	$502	$(1,718)

See accompanying notes
15

Table of Contents

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

	Six Months Ended June 30, 2015
PARTNERS' CAPITAL	
PREFERENCE UNITS	
Balance, beginning of year	$50,000
Partial redemption of 8.29% Series K Cumulative Redeemable	(9,820)
Balance, end of period	$40,180
GENERAL PARTNER	
Balance, beginning of year	$10,490,608
OP Unit Issuance:	
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	4,119
Exercise of EQR share options	33,984
EQR's Employee Share Purchase Plan (ESPP)	2,610
Conversion of EQR restricted shares to restricted units	(70)
Share-based employee compensation expense:	
EQR restricted shares	10,345
EQR share options	2,028
EQR ESPP discount	533
Net income available to Units – General Partner	464,429
OP Units – General Partner distributions	(402,159)
Offering costs	(40)
Supplemental Executive Retirement Plan (SERP)	(2,227)
Change in market value of Redeemable Limited Partners	13,966
Adjustment for Limited Partners ownership in Operating Partnership	6,313
Balance, end of period	$10,624,439
LIMITED PARTNERS	
Balance, beginning of year	$214,411
Issuance of restricted units to Limited Partners	1
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	(4,119)
Conversion of EQR restricted shares to restricted units	70
Equity compensation associated with Units – Limited Partners	16,368
Net income available to Units – Limited Partners	18,413
Units – Limited Partners distributions	(15,819)
Change in carrying value of Redeemable Limited Partners	(1,411)
Adjustment for Limited Partners ownership in Operating Partnership	(6,313)
Balance, end of period	$221,601
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	
Balance, beginning of year	$(172,152)
Accumulated other comprehensive (loss) income – derivative instruments:	
Unrealized holding (losses) arising during the period	(112)
Losses reclassified into earnings from other comprehensive income	8,911

Accumulated other comprehensive (loss) – foreign currency:	
Currency translation adjustments arising during the period	(502)
Balance, end of period	$(163,855)

See accompanying notes

Table of Contents

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

	Six Months Ended June 30, 2015
NONCONTROLLING INTERESTS	
NONCONTROLLING INTERESTS – PARTIALLY OWNED PROPERTIES	
Balance, beginning of year	$124,909
Net income attributable to Noncontrolling Interests	1,487
Distributions to Noncontrolling Interests	(4,028)
Balance, end of period	$122,368

See accompanying notes

Table of Contents

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

1. Business

Equity Residential ("EQR"), a Maryland real estate investment trust ("REIT") formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top United States growth markets. ERP Operating Limited Partnership ("ERPOP"), an Illinois limited partnership, was formed in May 1993 to conduct the multifamily residential property business of Equity Residential. EQR has elected to be taxed as a REIT. References to the "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the "Operating Partnership" mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. Unless otherwise indicated, the notes to consolidated financial statements apply to both the Company and the Operating Partnership.
EQR is the general partner of, and as of June 30, 2015 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP . EQR issues public equity from time to time 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, 2015, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 388 properties located in 12 states and the District of Columbia consisting of 108,430 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	361	97,438
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	19	3,771
Partially Owned Properties – Unconsolidated	3	1,281
Military Housing	2	5,087
	388	108,430

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period financial statements in order to conform to the current year presentation. These reclassifications did not have an impact on net income previously reported. Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

In preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The balance sheets at December 31, 2014 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.

Table of Contents

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, 2014.

Income and Other Taxes

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

Deferred tax assets and liabilities applicable to the TRS are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period enacted. The Company’s deferred tax assets are generally the result of tax affected suspended interest deductions, net operating losses, differing depreciable lives on capitalized assets and the timing of expense recognition for certain accrued liabilities. As of June 30, 2015, the Company has recorded a deferred tax asset, which is fully offset by a valuation allowance due to the uncertainty in forecasting future TRS taxable income.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (the "FASB") issued new guidance for reporting discontinued operations. Only disposals representing a strategic shift in operations that has a major effect on a company’s operations and financial results will be presented as discontinued operations. Companies are required to expand their disclosures about discontinued operations to provide more information on the assets, liabilities, income and expenses of the discontinued operations. Companies are also required to disclose the pre-tax income attributable to a disposal of a significant part of a company that does not qualify for discontinued operations reporting. Application of this guidance is prospective from the date of adoption and early adoption was permitted, but only for disposals (or classifications as held for sale) that had not been reported in financial statements previously issued. The new standard was effective January 1, 2015, but the Company early adopted it as allowed effective January 1, 2014. Adoption of this standard resulted in and will likely continue to result in substantially fewer of the Company's dispositions meeting the discontinued operations qualifications. See Note 11 for further discussion.

In May 2014, the FASB issued a comprehensive new revenue recognition standard entitled Revenue from Contracts with Customers that will supersede nearly all existing revenue recognition guidance. The new standard specifically excludes lease contracts. The new standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Companies will likely need to use more judgment and make more estimates than under current revenue recognition guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration, if any, to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard will be effective for the Company beginning on January 1, 2018 and early adoption will be permitted beginning on January 1, 2017. The new standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company has not yet selected a transition method and is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In August 2014, the FASB issued a new standard that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date. Disclosures will be required if conditions give rise to substantial doubt. However, to determine the specific disclosures, management will need to assess whether its plans will alleviate substantial doubt. The new standard is effective for the annual period ending after December 15, 2016. The Company does not expect that this will have a material effect on its consolidated results of operations or financial position.

In February 2015, the FASB issued new consolidation guidance which makes changes to both the variable interest model and the voting model. Among other changes, the new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. Generally, only a

Table of Contents

single limited partner that is able to exercise substantive kick-out rights will consolidate. The new standard will be effective for the Company beginning on January 1, 2016 and early adoption is permitted, including adoption in an interim period. The new standard must be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity/capital as of the beginning of the period of adoption or retrospectively to each period presented. The Company has not yet selected a transition method and is currently evaluating the impact of adopting the new standard on its consolidated results of operations and financial position.

In April 2015, the FASB issued a new standard which requires companies to present debt financing costs as a direct deduction from the carrying amount of the associated debt liability rather than as an asset, consistent with the presentation of debt discounts on the consolidated balance sheets. The new standard will be effective for the Company beginning on January 1, 2016 and early adoption is permitted. The new standard must be applied retrospectively to all prior periods presented in the consolidated financial statements. The Company does not expect that this will have a material effect on its consolidated results of operations or financial position.

Other

The Company is the controlling partner in various consolidated partnerships owning 19 properties and 3,771 apartment units and various completed and uncompleted development properties having a noncontrolling interest book value of $122.4 million at June 30, 2015. The Company is required to make certain disclosures regarding noncontrolling interests in consolidated limited-life subsidiaries. Of the consolidated entities described above, the Company is the controlling partner in limited-life partnerships owning six properties having a noncontrolling interest deficit balance of $11.1 million. These six partnership agreements contain provisions that require the partnerships to be liquidated through the sale of their assets upon reaching a date specified in each respective partnership agreement. The Company, as controlling partner, has an obligation to cause the property owning partnerships to distribute the proceeds of liquidation to the Noncontrolling Interests in these Partially Owned Properties only to the extent that the net proceeds received by the partnerships from the sale of their assets warrant a distribution based on the partnership agreements. As of June 30, 2015, the Company estimates the value of Noncontrolling Interest distributions for these six properties would have been approximately $68.3 million (“Settlement Value”) had the partnerships been liquidated. This Settlement Value is based on estimated third party consideration realized by the partnerships upon disposition of the six Partially Owned Properties and is net of all other assets and liabilities, including yield maintenance on the mortgages encumbering the properties, that would have been due on June 30, 2015 had those mortgages been prepaid. Due to, among other things, the inherent uncertainty in the sale of real estate assets, the amount of any potential distribution to the Noncontrolling Interests in the Company's Partially Owned Properties is subject to change. To the extent that the partnerships' underlying assets are worth less than the underlying liabilities, the Company has no obligation to remit any consideration to the Noncontrolling Interests in these Partially Owned Properties.

3. Equity, Capital and Other Interests

Equity and Redeemable Noncontrolling Interests of Equity Residential

The following tables present the changes in the Company’s issued and outstanding Common Shares and “Units” (which includes OP Units and restricted units (formerly known as Long-Term Incentive Plan (“LTIP”) Units)) for the six months ended June 30, 2015:

Table of Contents

	2015	
Common Shares		
Common Shares outstanding at January 1,	362,855,454	
Common Shares Issued:		
Conversion of OP Units	171,353	
Exercise of share options	814,827	
Employee Share Purchase Plan (ESPP)	40,873	
Restricted share grants, net	169,667	
Common Shares Other:		
Conversion of restricted shares to restricted units	(1,284	)
Common Shares outstanding at June 30,	364,050,890	
Units		
Units outstanding at January 1,	14,298,691	
Restricted units, net	337,505	
Conversion of restricted shares to restricted units	1,284	
Conversion of OP Units to Common Shares	(171,353	)
Units outstanding at June 30,	14,466,127	
Total Common Shares and Units outstanding at June 30,	378,517,017	
Units Ownership Interest in Operating Partnership	3.8	%

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

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

The Noncontrolling Interests – Operating Partnership Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Noncontrolling Interests – Operating Partnership are differentiated and referred to as “Redeemable Noncontrolling Interests – Operating Partnership”. Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer’s control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Noncontrolling Interests – Operating Partnership are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Noncontrolling Interests – Operating Partnership Units that are classified in permanent equity at June 30, 2015 and December 31, 2014.

The carrying value of the Redeemable Noncontrolling Interests – Operating Partnership is allocated based on the number of Redeemable Noncontrolling Interests – Operating Partnership Units in proportion to the number of Noncontrolling Interests – Operating Partnership Units in total. Such percentage of the total carrying value of Units which is ascribed to the Redeemable Noncontrolling Interests – Operating Partnership is then adjusted to the greater of carrying value or fair market value as described above. As of June 30, 2015, the Redeemable Noncontrolling Interests – Operating Partnership have a redemption value of approximately $488.2 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Noncontrolling Interests – Operating Partnership Units.

Table of Contents

The following table presents the changes in the redemption value of the Redeemable Noncontrolling Interests – Operating Partnership for the six months ended June 30, 2015 (amounts in thousands):

	2015
Balance at January 1,	$500,733
Change in market value	(13,966)
Change in carrying value	1,411
Balance at June 30,	$488,178

Net proceeds from EQR Common Share and Preferred Share (see definition below) offerings are contributed by EQR to ERPOP. In return for those contributions, EQR receives a number of OP Units in ERPOP equal to the number of Common Shares it has issued in the equity offering (or in the case of a preferred equity offering, a number of preference units in ERPOP equal in number and having the same terms as the Preferred Shares issued in the equity offering). As a result, the net offering proceeds from Common Shares and Preferred Shares are allocated between shareholders' equity and Noncontrolling Interests – Operating Partnership to account for the change in their respective percentage ownership of the underlying equity of ERPOP.

The Company's declaration of trust authorizes it to issue up to 100,000,000 preferred shares of beneficial interest, $0.01 par value per share (the "Preferred Shares"), with specific rights, preferences and other attributes as the Board of Trustees may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's Common Shares.

The following table presents the Company's issued and outstanding Preferred Shares as of June 30, 2015 and December 31, 2014:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Share (2)	June 30, 2015	December 31, 2014
Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized:				
8.29% Series K Cumulative Redeemable Preferred; liquidation value $50 per share; 803,600 shares issued and outstanding at June 30, 2015 and 1,000,000 shares issued and outstanding at December 31, 2014 (3)	12/10/26	$4.145	$40,180	$50,000
			$40,180	$50,000

(1) On or after the redemption date, redeemable preferred shares may be redeemed for cash at the option of the Company, in whole or in part, at a redemption price equal to the liquidation price per share, plus accrued and unpaid distributions, if any.

(2) Dividends on Preferred Shares are payable quarterly.

(3) Effective January 26, 2015, the Company repurchased and retired 196,400 Series K Preferred Shares with a par value of $9.82 million for total cash consideration of approximately $12.7 million. As a result of this partial redemption, the Company incurred a cash charge of approximately $2.8 million which was recorded as a premium on the redemption of Preferred Shares.

Capital and Redeemable Limited Partners of ERP Operating Limited Partnership

The following tables present the changes in the Operating Partnership's issued and outstanding Units and in the limited partners' Units for the six months ended June 30, 2015:

Table of Contents

	2015
General and Limited Partner Units	
General and Limited Partner Units outstanding at January 1,	377,154,145
Issued to General Partner:	
Exercise of EQR share options	814,827
EQR’s Employee Share Purchase Plan (ESPP)	40,873
EQR's restricted share grants, net	169,667
Issued to Limited Partners:	
Restricted units, net	337,505
General and Limited Partner Units outstanding at June 30,	378,517,017
Limited Partner Units	
Limited Partner Units outstanding at January 1,	14,298,691
Limited Partner restricted units, net	337,505
Conversion of EQR restricted shares to restricted units	1,284
Conversion of Limited Partner OP Units to EQR Common Shares	(171,353)
Limited Partner Units outstanding at June 30,	14,466,127
Limited Partner Units Ownership Interest in Operating Partnership	3.8%

The Limited Partners of the Operating Partnership as of June 30, 2015 include various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units, as well as the equity positions of the holders of restricted units. Subject to certain exceptions (including the “book-up” requirements of restricted units), Limited Partners may exchange their Units with EQR for Common Shares on a one-for-one basis. The carrying value of the Limited Partner Units (including redeemable interests) is allocated based on the number of Limited Partner Units in total in proportion to the number of Limited Partner Units in total plus the number of General Partner Units. Net income is allocated to the Limited Partner Units based on the weighted average ownership percentage during the period.

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

The Limited Partner Units are classified as either mezzanine equity or permanent equity. If EQR is required, either by contract or securities law, to deliver registered Common Shares, such Limited Partner Units are differentiated and referred to as “Redeemable Limited Partner Units”. Instruments that require settlement in registered shares can not be classified in permanent equity as it is not always completely within an issuer's control to deliver registered shares. Therefore, settlement in cash is assumed and that responsibility for settlement in cash is deemed to fall to the Operating Partnership as the primary source of cash for EQR, resulting in presentation in the mezzanine section of the balance sheet. The Redeemable Limited Partner Units are adjusted to the greater of carrying value or fair market value based on the Common Share price of EQR at the end of each respective reporting period. EQR has the ability to deliver unregistered Common Shares for the remaining portion of the Limited Partner Units that are classified in permanent equity at June 30, 2015 and December 31, 2014.

The carrying value of the Redeemable Limited Partner Units is allocated based on the number of Redeemable Limited Partner Units in proportion to the number of Limited Partner Units in total. Such percentage of the total carrying value of Limited Partner Units which is ascribed to the Redeemable Limited Partner Units is then adjusted to the greater of carrying value or fair market value as described above. As of June 30, 2015, the Redeemable Limited Partner Units have a redemption value of approximately $488.2 million, which represents the value of Common Shares that would be issued in exchange with the Redeemable Limited Partner Units.

The following table presents the changes in the redemption value of the Redeemable Limited Partners for the six months ended June 30, 2015 (amounts in thousands):

Table of Contents

	2015
Balance at January 1,	$500,733
Change in market value	(13,966)
Change in carrying value	1,411
Balance at June 30,	$488,178

EQR contributes all net proceeds from its various equity offerings (including proceeds from exercise of options for Common Shares) to ERPOP. In return for those contributions, EQR receives a number of OP Units in ERPOP equal to the number of Common Shares it has issued in the equity offering (or in the case of a preferred equity offering, a number of preference units in ERPOP equal in number and having the same terms as the preferred shares issued in the equity offering).

The following table presents the Operating Partnership's issued and outstanding "Preference Units" as of June 30, 2015 and December 31, 2014:

			Amounts in thousands	
	Redemption Date (1)	Annual Dividend per Unit (2)	June 30, 2015	December 31, 2014
Preference Units:				
8.29% Series K Cumulative Redeemable Preference Units; liquidation value $50 per unit; 803,600 units issued and outstanding at June 30, 2015 and 1,000,000 units issued and outstanding at December 31, 2014 (3)	12/10/26	$4.145	$40,180	$50,000
			$40,180	$50,000

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

(2) Dividends on Preference Units are payable quarterly.

(3) Effective January 26, 2015, the Operating Partnership repurchased and retired 196,400 Series K Preference Units with a par value of $9.82 million for total cash consideration of approximately $12.7 million, in conjunction with the concurrent redemption of the corresponding Company Preferred Shares. As a result of this partial redemption, the Operating Partnership incurred a cash charge of approximately $2.8 million which was recorded as a premium on the redemption of Preference Units.

Other

In September 2009, the Company announced the establishment of an At-The-Market ("ATM") share offering program which would allow EQR to sell Common Shares from time to time into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis). On July 30, 2013, the Board of Trustees approved an increase to the amount of shares which may be offered under the ATM program to 13.0 million Common Shares and extended the program maturity to July 2016. EQR has not issued any shares under this program since September 14, 2012.

Effective July 30, 2013, the Board of Trustees approved an increase and modification to the Company's share repurchase program to allow for the potential repurchase of up to 13.0 million Common Shares. No shares were repurchased during the six months ended June 30, 2015. As of June 30, 2015, EQR has remaining authorization to repurchase an additional 12,968,760 of its shares.

4. Real Estate and Lease Intangibles

The following table summarizes the carrying amounts for the Company’s investment in real estate (at cost) as of June 30, 2015 and December 31, 2014 (amounts in thousands):

Table of Contents

	June 30, 2015	December 31, 2014
Land	$6,374,779	$6,295,404
Depreciable property:		
Buildings and improvements	18,328,935	17,974,337
Furniture, fixtures and equipment	1,446,235	1,365,276
In-Place lease intangibles	515,154	511,891
Projects under development:		
Land	406,251	466,764
Construction-in-progress	833,993	877,155
Land held for development:		
Land	97,387	145,366
Construction-in-progress	30,172	39,190
Investment in real estate	28,032,906	27,675,383
Accumulated depreciation	(5,736,913)	(5,432,805)
Investment in real estate, net	$22,295,993	$22,242,578

The following table summarizes the carrying amounts for the Company's above and below market ground and retail lease intangibles as of June 30, 2015 and December 31, 2014 (amounts in thousands):

Description	Balance Sheet Location	June 30, 2015	December 31, 2014
Assets			
Ground lease intangibles – below market	Other Assets	$178,251	$178,251
Retail lease intangibles – above market	Other Assets	1,260	1,260
Lease intangible assets		179,511	179,511
Accumulated amortization		(11,185)	(8,913)
Lease intangible assets, net		$168,326	$170,598
Liabilities			
Ground lease intangibles – above market	Other Liabilities	$2,400	$2,400
Retail lease intangibles – below market	Other Liabilities	5,270	5,270
Lease intangible liabilities		7,670	7,670
Accumulated amortization		(2,839)	(2,258)
Lease intangible liabilities, net		$4,831	$5,412

During the six months ended June 30, 2015 and 2014, the Company amortized approximately $2.2 million and $2.2 million, respectively, of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statements of operations and comprehensive income and approximately $0.5 million and $0.6 million, respectively, of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statements of operations and comprehensive income. During the quarters ended June 30, 2015 and 2014, the Company amortized approximately $1.1 million and $1.1 million, respectively, of above and below market ground lease intangibles which is included (net increase) in property and maintenance expense in the accompanying consolidated statements of operations and comprehensive income and approximately $0.3 million and $0.3 million, respectively, of above and below market retail lease intangibles which is included (net increase) in rental income in the accompanying consolidated statements of operations and comprehensive income.

The weighted average amortization period for above and below market ground lease intangibles and retail lease intangibles is 49.8 years and 2.8 years, respectively.

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

25

Table of Contents

	Remaining 2015	2016	2017	2018	2019	2020
Ground lease intangibles	$2,161	$4,321	$4,321	$4,321	$4,321	$4,321
Retail lease intangibles	(469)	(896)	(540)	(71)	(71)	(71)
Total	$1,692	$3,425	$3,781	$4,250	$4,250	$4,250

During the six months ended June 30, 2015, the Company acquired the entire equity interest in the following from unaffiliated parties (purchase price in thousands):

	Properties	Apartment Units	Purchase Price
Rental Properties	1	202	$130,275
Land Parcel (one)	—	—	5,968
Total	1	202	$136,243

During the six months ended June 30, 2015, the Company disposed of the following to unaffiliated parties (sales price in thousands):

	Properties	Apartment Units	Sales Price
Rental Properties (1)	6	1,377	$386,662
Total	6	1,377	$386,662

(1) Includes a 193,230 square foot medical office building adjacent to our Longfellow Place property in Boston with a sales price of approximately $123.3 million.

The Company recognized a net gain on sales of real estate properties of approximately $228.8 million on the above sales.

5. Commitments to Acquire/Dispose of Real Estate

The Company has entered into separate agreements to acquire the following (purchase price in thousands):

	Properties	Apartment Units	Purchase Price
Land Parcels (two)	—	—	$21,832
Other	—	2	6,000
Total	—	2	$27,832

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

	Properties	Apartment Units	Sales Price
Rental Properties	2	522	$104,838
Land Parcels (three)	—	—	29,900
Total	2	522	$134,738

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

6. Investments in Partially Owned Entities

The Company has co-invested in various properties with unrelated third parties which are either consolidated or accounted for under the equity method of accounting (unconsolidated). The following tables and information summarize the Company's investments in partially owned entities as of June 30, 2015 (amounts in thousands except for project and apartment unit amounts):

Table of Contents

	Consolidated			Unconsolidated	
	Development Projects Held for and/or Under Development	Operating	Total	Operating	Total
Total projects (1)	—	19	19	3	3
Total apartment units (1)	—	3,771	3,771	1,281	1,281
Balance sheet information at 6/30/15 (at 100%):					
ASSETS					
Investment in real estate	$351,977	$686,120	$1,038,097	$290,442	$290,442
Accumulated depreciation	(2,339)	(205,554)	(207,893)	(24,471)	(24,471)
Investment in real estate, net	349,638	480,566	830,204	265,971	265,971
Cash and cash equivalents	—	17,482	17,482	8,793	8,793
Investments in unconsolidated entities	—	50,771	50,771	—	—
Deposits – restricted	11,609	345	11,954	273	273
Deferred financing costs, net	—	1,963	1,963	7	7
Other assets	6,988	25,959	32,947	703	703
Total assets	$368,235	$577,086	$945,321	$275,747	$275,747
LIABILITIES AND EQUITY/CAPITAL					
Mortgage notes payable (2)	$—	$360,654	$360,654	$175,135	$175,135
Accounts payable & accrued expenses	5,756	1,939	7,695	1,486	1,486
Accrued interest payable	—	1,266	1,266	691	691
Other liabilities	615	819	1,434	325	325
Security deposits	589	2,002	2,591	592	592
Total liabilities	6,960	366,680	373,640	178,229	178,229
Noncontrolling Interests – Partially Owned Properties/Partners' equity	117,350	5,018	122,368	90,878	90,878
Company equity/General and Limited Partners' Capital	243,925	205,388	449,313	6,640	6,640
Total equity/capital	361,275	210,406	571,681	97,518	97,518
Total liabilities and equity/capital	$368,235	$577,086	$945,321	$275,747	$275,747

Table of Contents

	Consolidated Development Projects Held for and/or Under Development	Operating	Total	Unconsolidated Operating	Total
Operating information for the six months ended 6/30/15 (at 100%):					
Operating revenue	$1,103	$46,071	$47,174	$15,918	$15,918
Operating expenses	851	13,545	14,396	5,388	5,388
Net operating income	252	32,526	32,778	10,530	10,530
Depreciation	2,339	11,073	13,412	6,159	6,159
General and administrative/other	1	41	42	119	119
Operating (loss) income	(2,088)	21,412	19,324	4,252	4,252
Interest and other income	—	5	5	—	—
Other expenses	—	(50)	(50)	—	—
Interest:					
Expense incurred, net	—	(7,786)	(7,786)	(4,697)	(4,697)
Amortization of deferred financing costs	—	(177)	(177)	(1)	(1)
(Loss) income before income and other taxes and (loss) from investments in unconsolidated entities	(2,088)	13,404	11,316	(446)	(446)
Income and other tax (expense) benefit	—	(35)	(35)	(18)	(18)
(Loss) from investments in unconsolidated entities	—	(739)	(739)	—	—
Net (loss) income	$(2,088)	$12,630	$10,542	$(464)	$(464)

(1) Project and apartment unit counts exclude all uncompleted development projects until those projects are substantially completed.
(2) All debt is non-recourse to the Company.

Note: The above tables exclude the Company's interests in unconsolidated joint ventures entered into with AvalonBay Communities, Inc. ("AVB") in connection with the acquisition of certain real estate related assets from Archstone Enterprise LP (such assets are referred to herein as "Archstone"). These ventures own certain non-core Archstone assets that are held for sale and succeeded to certain residual Archstone liabilities/litigation, as well as responsibility for tax protection arrangements and third-party preferred interests in former Archstone subsidiaries. The preferred interests had an aggregate liquidation value of $71.2 million at June 30, 2015. The ventures are owned 60% by the Company and 40% by AVB.

The Company is the controlling partner in various consolidated partnership properties and development properties having an aggregate noncontrolling interest book value of $122.4 million at June 30, 2015. The Company does not have any variable interest entities.

Operating Properties

On February 27, 2013, in conjunction with the acquisition of Archstone, the Company acquired an interest in the Wisconsin Place joint venture. This project contains a mixed-use site located in Chevy Chase, Maryland consisting of residential, retail, office and accessory uses, including underground parking facilities. The Company has a 75% equity interest with an initial basis of $198.5 million in the 432 unit residential component. The Company is the managing member, was responsible for constructing the residential project and its partner does not have substantive kick-out or participating rights. As a result, the entity that owns the residential component of this mixed-use site is required to be consolidated on the Company's balance sheet. Such entity also retains an unconsolidated interest in an entity that owns the land underlying the entire project and owns and operates the parking facility. The initial fair value of this investment is $56.5 million. The Company does not have any ownership interest in the retail and office components.

On February 27, 2013, in conjunction with the acquisition of Archstone, the Company acquired an interest in the Waterton Tenside joint venture. This venture was formed to develop and operate a 336 unit apartment property located in Atlanta, Georgia. The Company has a 20% equity interest with an initial basis of $5.1 million. The partner is the managing member and developed the project. The project is encumbered by a non-recourse mortgage loan that has a current outstanding balance of $29.7 million, bears interest at 3.66% and matures December 1, 2018. The Company does not have substantive kick-out or participating rights. As a result, the entity is unconsolidated and recorded using the equity method of accounting.

Table of Contents

The Company admitted an 80% institutional partner to two separate entities/transactions (Nexus Sawgrass in December 2010 and Domain in August 2011), each owning a developable land parcel, in exchange for $40.1 million in cash and retained a 20% equity interest in each of these entities. These projects are now unconsolidated. Details of these projects follow:

- Nexus Sawgrass – This development project was completed and stabilized during the quarter ended September 30, 2014. Total project costs were approximately $78.6 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a current unconsolidated outstanding balance of $48.6 million, bears interest at 5.60% and matures January 1, 2021.
- Domain – This development project was completed and stabilized during the quarter ended March 31, 2015. Total project costs were approximately $155.8 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a current unconsolidated outstanding balance of $96.8 million, bears interest at 5.75% and matures January 1, 2022.

While the Company is the managing member of both of the joint ventures, was responsible for constructing both of the projects and had given certain construction cost overrun guarantees, the joint venture partner has significant participating rights and has active involvement in and oversight of the ongoing projects. The Company currently has no further funding obligations related to these projects.

Development Project

Prism at Park Ave South – In December 2011, the Company and Toll Brothers (NYSE: TOL) jointly acquired a vacant land parcel at 400 Park Avenue South in New York City. The Company's and Toll Brothers' allocated portions of the purchase price were approximately $76.1 million and $57.9 million, respectively. The Company is the managing member and Toll Brothers does not have substantive kick-out or participating rights. Until the core and shell of the building is complete, the building and land will be owned jointly and are required to be consolidated on the Company's balance sheet. Thereafter, the Company will solely own and control the rental portion of the building (floors 2-22) and Toll Brothers will solely own and control the for sale portion of the building (floors 23-40). Once the master condominium association has been legally established, the Toll Brothers' portion of the property will be deconsolidated from the Company's balance sheet. The acquisition was financed through contributions by the Company and Toll Brothers of approximately $102.5 million and $75.7 million, respectively, which included the land purchase noted above, restricted deposits and taxes and fees. As of June 30, 2015, the Company's and Toll Brothers' consolidated contributions to the joint venture were approximately $342.2 million, of which Toll Brothers' noncontrolling interest balance totaled $117.4 million. See Note 14 for additional discussion.

Other

On February 27, 2013, in connection with the acquisition of Archstone, subsidiaries of the Company and AVB entered into three limited liability company agreements (collectively, the “Residual JV”). The Residual JV owns certain non-core Archstone assets, such as interests in a two property portfolio of apartment buildings and succeeded to certain residual Archstone liabilities/litigation. The Residual JV is owned 60% by the Company and 40% by AVB and the Company's initial investment was $147.6 million. The Residual JV is managed by a Management Committee consisting of two members from each of the Company and AVB. Both partners have equal participation in the Management Committee and all significant participating rights are shared by both partners. As a result, the Residual JV is unconsolidated and r