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

Equity Residential Yes No ERP Operating Limited Partnership Yes No

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

Equity Residential ERP Operating Limited Partnership

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

Equity Residential:

Large accelerated filer

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 (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 Act).

Equity Residential Yes No

ERP Operating Limited Partnership Yes No

The aggregate market value of Common Shares held by non-affiliates of the Registrant was approximately \$20.5 billion based upon the closing price on June 30, 2013 of \$58.06 using beneficial ownership of shares rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting shares owned by Trustees and Executive Officers, some of who may not be held to be affiliates upon judicial determination.

The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on February 21, 2014 was 361,079,202.

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DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information that will be contained in Equity Residential's Proxy Statement relating to its 2013 Annual Meeting of Shareholders, which Equity Residential intends to file no later than 120 days after the end of its fiscal year ended December 31, 2013, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.2% owner of ERP Operating Limited Partnership.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2013 of Equity Residential and ERP Operating Limited Partnership. Unless stated otherwise or the context otherwise requires, references to “EQR” mean Equity Residential, a Maryland real estate investment trust (“REIT”), and references to “ERPOP” mean ERP Operating Limited Partnership, an Illinois limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP. References to the “Operating Partnership” mean collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. The following chart illustrates the Company's and the Operating Partnership's corporate structure:

EQR is the general partner of, and as of December 31, 2013 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 contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, the Company receives a number of OP Units (see definition below) in the Operating Partnership 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 the Operating Partnership, 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 the Operating Partnership issued to EQR and the Common Shares.

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

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

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 the Company, which are contributed

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

This report also includes separate Part II, Item 9A. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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

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

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ERP OPERATING LIMITED PARTNERSHIP
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PART I

Item 1. Business

General

Equity Residential (“EQR”), a Maryland real estate investment trust (“REIT”) formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of 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.

EQR is the general partner of, and as of December 31, 2013 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity.

As of December 31, 2013, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 390 properties located in 12 states and the District of Columbia consisting of 109,855 apartment units. The ownership breakdown includes (table does not include various uncompleted development properties):

	Properties	Apartment Units
Wholly Owned Properties	362	98,468
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	19	3,752
Partially Owned Properties – Unconsolidated	4	1,669
Military Housing	2	5,113
	390	109,855

The Company's corporate headquarters are located in Chicago, Illinois and the Company also operates property management offices in each of its markets. As of December 31, 2013, the Company had approximately 3,600 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

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

Available Information

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

Business Objectives and Operating and Investing Strategies

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

We seek to maximize the income and capital appreciation of our properties by investing in markets that are characterized by conditions favorable to multifamily property appreciation. We are focused primarily on the six core

coastal, high barrier to entry markets of Boston, New York, Washington DC, Southern California (including Los Angeles, Orange County and San Diego), San Francisco and Seattle. These markets generally feature one or more of the following characteristics that allow us to increase

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rents:

High barriers to entry where, because of land scarcity or government regulation, it is difficult or costly to build new apartment properties, creating limits on new supply;

High home ownership costs;

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

Urban core locations with an attractive quality of life and higher wage job categories leading to high resident demand and retention; and

Favorable demographics contributing to a larger pool of target residents with a high propensity to rent apartments.

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

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

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture agreements. In addition, the Company may acquire properties in transactions that include the issuance of limited partnership interests in the Operating Partnership ("OP Units") as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. The Company may acquire land parcels to hold and/or sell based on market opportunities as well as options to buy more land in the future. The Company may also seek to acquire properties by purchasing defaulted or distressed debt that encumbers desirable properties in the hope of obtaining title to property through foreclosure or deed-in-lieu of foreclosure proceedings. The Company has also, in the past, converted some of its properties and sold them as condominiums but is not currently active in this line of business.

Over the past several years, the Company has done an extensive repositioning of its portfolio from low barrier to entry/non-core markets to high barrier to entry/core markets. Since 2005, the Company has sold over 162,000 apartment units primarily in its non-core markets for an aggregate sales price of approximately \$15.6 billion, acquired over 66,000 apartment units primarily in its core markets for approximately \$19.0 billion and began approximately \$4.1 billion of development projects primarily in its core markets. We are currently seeking to acquire and develop assets primarily in the following six core coastal metropolitan areas: Boston, New York, Washington DC, Southern California, San Francisco and Seattle. We also have investments (in the aggregate about 11.9% of our NOI at December 31, 2013) in the two core markets of South Florida and Denver but do not currently intend to acquire or develop new assets in these markets. Further, we are in the process of exiting Phoenix and Orlando and will use sales proceeds from these markets to acquire and/or develop new assets and for other corporate purposes.

As part of its strategy, the Company purchases completed and fully occupied apartment properties, partially completed or partially occupied properties and takes options on land or acquires land on which apartment properties can be constructed. We intend to hold a diversified portfolio of assets across our target markets. As of December 31, 2013, no single market/metropolitan area accounted for more than 18.6% of our NOI, though no guarantee can be made that NOI concentration may not increase in the future.

We endeavor to attract and retain the best employees by providing them with the education, resources and opportunities to succeed. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensively train our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or junior positions. We monitor our employees' engagement by

surveying them annually and have consistently received high engagement scores.

We have a commitment to sustainability and consider the environmental impacts of our business activities.

Sustainability and social responsibility are key drivers in our focus in creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily

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housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water usage by investing in energy saving technology while positively impacting the experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. For additional information regarding our sustainability efforts, see our December 2013 Corporate Social Responsibility and Sustainability Report at our website, www.equityresidential.com.

Competition

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

Archstone Transaction

On February 27, 2013, the Company, AvalonBay Communities, Inc. ("AVB") and certain of their respective subsidiaries completed their previously announced acquisition (the "Archstone Acquisition" or the "Archstone Transaction") from Archstone Enterprise LP ("Enterprise") (which subsequently changed its name to Jupiter Enterprise LP), an affiliate of Lehman Brothers Holdings, Inc. ("Lehman") and its affiliates, of all of the assets of Enterprise (including interests in various entities affiliated with Enterprise), constituting a portfolio of apartment properties and other assets (the "Archstone Portfolio"). As a result of the Archstone Acquisition, the Company owns assets representing approximately 60% of the Archstone Portfolio. The consideration paid by the Company in connection with the Archstone Acquisition consisted of cash of approximately \$4.0 billion (inclusive of \$2.0 billion of Archstone secured mortgage principal paid off in conjunction with the closing), 34,468,085 Common Shares (which shares had a total value of \$1.9 billion based on the February 27, 2013 closing price of EQR common shares of \$55.99 per share) issued to the seller and the assumption of approximately \$3.1 billion of mortgage debt (inclusive of a net mark-to-market premium of \$127.9 million) and approximately 60% of all of the other assets and liabilities related to the Archstone Portfolio. See Note 4 in the Notes to Consolidated Financial Statements for further discussion.

Debt and Equity Activity

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

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's and the Operating Partnership's Capital Structure charts as of December 31, 2013.

Major Debt and Equity Activities for the Years Ended December 31, 2013, 2012 and 2011

During 2013:

The Company assumed as part of the Archstone Transaction \$2.2 billion of mortgage debt held in two Fannie Mae loan pools, consisting of \$1.2 billion collateralized by 16 properties with an interest rate of 6.256% and a maturity date of November 1, 2017 ("Pool 3") and \$963.5 million collateralized by 15 properties with an interest rate of 5.883% and a maturity date of November 1, 2014 ("Pool 4").

The Company paid down \$825.0 million of Pool 3 mortgage debt and repaid \$963.5 million of Pool 4 mortgage debt. The Company assumed as part of the Archstone Transaction \$346.6 million of tax-exempt bonds on four properties with interest rates ranging from SIFMA plus 0.860% to SIFMA plus 1.402% and maturity dates through November 15, 2036.

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The Company assumed as part of the Archstone Transaction \$339.0 million of other mortgage debt on three properties with fixed interest rates ranging from 0.100% to 5.240% and maturity dates through May 1, 2061.

The Company assumed as part of the Archstone Transaction \$34.1 million of other mortgage debt on one property with a variable rate of LIBOR plus 1.75% and a maturity date of September 1, 2014.

The Company obtained an \$800.0 million secured loan from a large insurance company which matures on November 10,

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2023, is interest only and carries a fixed interest rate of 4.21% and was used in part to pay down Pool 3.

The Company repaid \$400.0 million of 5.200% unsecured notes at maturity.

The Company issued \$500.0 million of ten-year 3.00% fixed rate public notes, receiving net proceeds of \$495.6 million before underwriting fees and other expenses, at an all-in effective interest rate of 3.998%.

The Company entered into a senior unsecured \$750.0 million delayed draw term loan facility which was fully drawn on February 27, 2013 in connection with the Archstone acquisition. The maturity date of January 11, 2015 is subject to a one-year extension option exercisable by the Company. The interest rate on advances under the term loan facility will generally be LIBOR plus a spread (currently 1.20%), which is dependent on the credit rating of the Company's long-term debt.

The Company issued 34,468,085 Common Shares to an affiliate of Lehman having a value of \$1.9 billion (based on the February 27, 2013 closing price of EQR Common Shares of \$55.99 per share) as partial consideration for the portion of the Archstone Portfolio acquired by the Company. Lehman has since sold all of these Common Shares. The Company issued 586,017 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$17.3 million.

The Company issued 73,468 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$3.4 million.

During 2012:

The Company repaid \$253.9 million of 6.625% unsecured notes and \$222.1 million of 5.500% unsecured notes, both at maturity.

The Company repaid its \$500.0 million term loan at maturity.

The Company issued 21,850,000 Common Shares at a price of \$54.75 per share for total consideration of approximately \$1.2 billion, after deducting underwriting commissions of \$35.9 million. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

The Company issued 3,173,919 Common Shares at an average price of \$60.59 per share for total consideration of \$192.3 million pursuant to its At-The-Market ("ATM") share offering program. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

The Company issued 1,608,427 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$49.0 million.

The Company issued 1,081,797 OP Units having a value of \$66.6 million (based on the closing price for Common Shares of \$61.57 on such date) as partial consideration for the acquisition of one rental property.

The Company issued 110,054 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$5.4 million.

The Company redeemed its Series N Cumulative Redeemable Preferred Shares for cash consideration of \$150.0 million plus accrued dividends through the redemption date.

During 2011:

The Company redeemed \$482.5 million of its 3.85% unsecured notes with a final maturity of 2026 at par and no premium was paid and repaid \$93.1 million of 6.95% unsecured notes at maturity.

The Company issued \$1.0 billion of ten-year 4.625% fixed rate public notes in a public offering, receiving net proceeds of \$996.2 million before underwriting fees and other expenses. The notes have an all-in effective interest rate of approximately 6.2% after termination of various forward starting swaps in conjunction with the issuance (see Note 8 in the Notes to Consolidated Financial Statements for further discussion).

The Company issued 3,866,666 Common Shares at an average price of \$52.23 per share for total consideration of \$201.9 million pursuant to its ATM share offering program. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

The Company issued 2,945,948 Common Shares pursuant to its Share Incentive Plans and received net proceeds of approximately \$95.3 million.

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The Company issued 113,107 Common Shares pursuant to its Employee Share Purchase Plan and received net proceeds of approximately \$5.3 million.

An unspecified amount of equity and debt securities remains available for issuance by EQR and ERPOP under a universal shelf registration statement that automatically became effective upon filing with the SEC on July 30, 2013 and expires on July 30, 2016. In July 2013, the Board of Trustees also 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. 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).

On June 16, 2011, the shareholders of EQR approved the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan"), and the Company filed a Form S-8 registration statement to register 12,980,741 Common Shares under this plan. As of December 31, 2013, 9,562,775 shares were available for future issuance. See Note 12 in the Notes to Consolidated Financial Statements for further discussion.

Credit Facilities

EQR does not have any indebtedness as all debt is incurred by the Operating Partnership. EQR guarantees the Operating Partnership's \$750.0 million senior unsecured delayed draw term loan facility and also guarantees the Operating Partnership's revolving credit facility up to the maximum amount and for the full term of the facility.

In July 2011, the Company replaced its then existing \$1.425 billion unsecured revolving credit facility which was scheduled to mature in February 2012 with a new \$1.25 billion unsecured revolving credit facility maturing on July 13, 2014, subject to a one-year extension option exercisable by the Company. The Company had the ability to increase available borrowings by an additional \$500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. On January 6, 2012, the Company amended this credit facility to increase available borrowings by an additional \$500.0 million to \$1.75 billion with all other terms, including the July 13, 2014 maturity date, remaining the same. The interest rate on advances under the credit facility was generally LIBOR plus a spread (1.15%) and the Company paid an annual facility fee of 0.2%. Both the spread and the facility fee were dependent on the credit rating of the Company's long-term debt. On January 11, 2013, the Company replaced its existing \$1.75 billion credit facility with a new \$2.5 billion unsecured revolving credit facility maturing April 1, 2018. The interest rate on advances under the new credit facility will generally be LIBOR plus a spread (currently 1.05%) and an annual facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt.

As of February 21, 2014, the amount available on the \$2.5 billion credit facility was \$2.1 billion (net of \$34.9 million which was restricted/dedicated to support letters of credit and net of \$360.0 million outstanding). As of December 31, 2013, the amount available on the \$2.5 billion credit facility was \$2.35 billion (net of \$34.9 million which was restricted/dedicated to support letters of credit and net of \$115.0 million outstanding). During the year ended December 31, 2013, the weighted average interest rate was 1.26%. As of December 31, 2012, the amount available on the \$1.75 billion credit facility was \$1.72 billion (net of \$30.2 million which was restricted/dedicated to support letters of credit) and there was no amount outstanding. During the year ended December 31, 2012, the weighted average interest rate was 1.35%.

Environmental Considerations

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

Item 1A. Risk Factors

General

References to "EQR" mean Equity Residential, a Maryland real estate investment trust ("REIT"), and references to "ERPOP" mean ERP Operating Limited Partnership, an Illinois limited partnership. Unless otherwise indicated, when used in this section, the terms "Company," "we," "us" or "our" mean collectively EQR, ERPOP and those entities/subsidiaries owned or controlled by EQR and/or ERPOP and the term "Operating Partnership" means collectively ERPOP and those entities/subsidiaries owned or controlled by ERPOP. This Item 1A. includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements included in Item 7. The occurrence of the events discussed in the following risk factors could adversely affect, possibly in a material manner,

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our business, financial condition or results of operations, which could adversely affect the value of our common shares of beneficial interest or preferred shares of beneficial interest (which we refer to collectively as “Shares”), Preference Units, OP Units, Long-Term Incentive Plan Units (“LTIP Units”) and our public unsecured debt. In this section, we refer to the Shares, Preference Units, OP Units, LTIP Units and public unsecured debt together as our “securities” and the investors who own Shares/Units, OP/LTIP Units and public unsecured debt as our “security holders”.

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

General

Real property investments are subject to varying degrees of risk and are relatively illiquid. Numerous factors may adversely affect the economic performance and value of our properties and the ability to realize that value. These factors include changes in the global, national, regional and local economic climates, local conditions such as an oversupply of multifamily properties or a reduction in demand for our multifamily properties, the attractiveness of our properties to residents, competition from other multifamily properties and single family homes and changes in market rental rates. Our performance also depends on our ability to collect rent from residents and to pay for adequate maintenance, insurance and other operating costs, including real estate taxes, all of which could increase over time. Sources of labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property.

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

When our residents decide to leave our apartments, whether because they decide not to renew their leases or they leave prior to their lease expiration date, we may not be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected. If residents do not experience increases in their income, we may be unable to increase rent and/or delinquencies may increase. Occupancy levels and market rents may be adversely affected by national and local economic and market conditions including, without limitation, new construction and excess inventory of multifamily and single family housing, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multifamily rental housing, governmental regulations, slow or negative employment growth and household formation, the availability of low interest mortgages for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond the Company's control. In addition, various state and local municipalities are considering and may continue to consider rent control legislation or take other actions which could limit our ability to raise rents. Finally, the federal government's policies, many of which may encourage home ownership, can increase competition and possibly limit our ability to raise rents. Consequently, our cash flow and ability to service debt and make distributions to security holders could be reduced.

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

The revenues from our retail/commercial space represent approximately 4% of our total rental income.

We increased our concentration of properties in certain core markets as a result of the Archstone Transaction, which could have an adverse effect on our operations if a particular market is adversely affected by economic or other

conditions.

As a result of the Archstone Transaction, we increased our concentration of properties in certain core markets as a result of our strategy to reposition our portfolio from low barrier to entry/non-core markets to high barrier to entry/core markets. If any one or more of such core markets, such as Washington D.C., Southern California, New York or San Francisco, is adversely affected by local or regional economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors) or local real estate conditions (such as oversupply of or reduced demand for multifamily properties), such conditions may have an increased adverse impact on our results of operations than if our portfolio was more geographically diverse.

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Because real estate investments are illiquid, we may not be able to sell properties when appropriate. Real estate investments generally cannot be sold quickly. We may not be able to reconfigure our portfolio promptly in response to economic or other conditions. This inability to reallocate our capital promptly could adversely affect our financial condition and ability to make distributions to our security holders.

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

We intend to actively acquire, develop and rehab multifamily properties for rental operations as market conditions dictate. We may also acquire multifamily properties that are unoccupied or in the early stages of lease up. We may be unable to lease up these apartment properties on schedule, resulting in decreases in expected rental revenues and/or lower yields due to lower occupancy and rates as well as higher than expected concessions. We may not be able to achieve rents that are consistent with expectations for acquired, developed or rehabbed properties. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position, to complete a development property or to complete a rehab. Additionally, we expect that other real estate investors with capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development and acquisition efforts. This competition (or lack thereof) may increase (or depress) prices for multifamily properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms. We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including large portfolios, that could increase our size and result in alterations to our capital structure. The total number of apartment units under development, costs of development and estimated completion dates are subject to uncertainties arising from changing economic conditions (such as the cost of labor and construction materials), competition and local government regulation.

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

Our investments in joint ventures could be adversely affected by our lack of sole decision-making authority regarding major decisions, our reliance on our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners. We currently do and may continue in the future to develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. A portion of the assets acquired in the Archstone Transaction were acquired through joint ventures with AVB that neither we nor AVB control solely. Joint venture investments, including the joint ventures with AVB, involve risks not present with respect to our wholly owned properties, including the following:

- our joint venture partners might experience financial distress, become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- we may be responsible to our partners for indemnifiable losses;
- our joint venture partners may have business interests or goals with respect to a property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- we may be unable to take actions that are opposed by our joint venture partners under arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;
- our joint venture partners may take actions that we oppose;
 - our ability to sell or transfer our interest in a joint venture to a third party may be restricted without prior consent of our joint venture partners;

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

At times we have entered into agreements providing for joint and several liability with our partners. Frequently, we and our partners may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction. Any of these risks could materially and adversely affect our ability to generate and recognize attractive returns on our joint venture investments, which could have a material adverse effect on our results of operations, financial condition and distributions to our shareholders.

Several of the assets we acquired in the Archstone Transaction along with certain preferred interests acquired in joint ventures with AVB as part of the Archstone Transaction are subject to tax protection agreements, which could limit our flexibility with respect to our ownership of such assets or cause us to incur material costs.

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

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

- general market and economic conditions;
- actual or anticipated variations in our guidance, quarterly operating results or dividends;
- changes in our funds from operations, normalized funds from operations or earnings estimates;
- difficulties or inability to access capital or extend or refinance debt;
- large portfolio acquisitions or dispositions;
- decreasing (or uncertainty in) real estate valuations;
 - rising crime rates in markets where our increasingly urban portfolio is concentrated;
- a change in analyst ratings;
- adverse market reaction to any additional debt we incur in the future;
- governmental regulatory action, including changes or proposed changes to the mandates of Fannie Mae or Freddie Mac, and changes in tax laws;
- the issuance of additional Common Shares, or the perception that such issuances might occur, including under EQR's ATM program; and
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the resale of substantial amounts of our common shares, or the anticipation of the resale of such shares, by large holders of our securities.

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

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

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

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

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

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

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

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships with our residents/tenants and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Changes in laws and litigation risk could affect our business.

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

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

Environmental problems are possible and can be costly.

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation

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and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

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

There have been an increasing number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate. As some of these lawsuits have resulted in substantial monetary judgments or settlements, insurance carriers have reacted by excluding mold-related claims from standard policies and pricing mold endorsements at prohibitively high rates. While we have adopted programs designed to minimize the existence of mold in any of our properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on our residents or the property, should mold become an issue in the future, our financial condition or results of operations may be adversely affected.

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

Climate change

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

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

Insurance policy deductibles, exclusions and counterparties

As of December 31, 2013, the Company's property insurance policies provide for a per occurrence deductible of \$250,000 and a self-insured retention of \$5.0 million per occurrence, subject to a maximum annual aggregate self-insured retention of \$7.5 million for "all risk" losses. Any earthquake and named windstorm losses in critical areas are subject to a deductible of 5% of the values of the buildings involved in the losses and are not subject to the aggregate self-insured retention. The Company also typically self-insures a substantial portion of the first \$50 million of a property loss in excess of these base deductibles and self-insured retentions. Should a claim exceed these amounts, it would be 100% covered by insurance. The Company's general liability and worker's compensation policies at December 31, 2013 provide for a \$2.0 million and \$1.0 million per occurrence deductible, respectively. These higher deductible and self-insured retention amounts do expose the Company to greater potential uninsured losses. The Company also has become more susceptible to large losses as it has transformed its portfolio, becoming more concentrated in fewer, more valuable assets over a smaller geographical footprint. Furthermore, the potential impact of climate change, increased severe weather or earthquakes could cause a significant increase in insurance premiums and deductibles, or a decrease in the availability of coverage, either of which could expose the Company to even greater uninsured losses which may adversely affect our financial condition or results of operations.

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

As of December 31, 2013, the Company's cyber liability insurance policy provides for a per occurrence deductible of \$250,000 and a \$5.0 million general limit. Cyber liability insurance generally covers costs associated with the wrongful release,

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through inadvertent breach or network attack, of personally identifiable information such as social security or credit card numbers. This cyber policy would cover the cost of victim notification, credit monitoring and other crisis response expenses.

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

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

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

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

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

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

General

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the Company's total debt and unsecured debt summaries as of December 31, 2013.

In addition to debt, we have a liquidation value of \$50.0 million of outstanding preferred shares of beneficial interest/preference units with a dividend preference of 8.29% per annum as of December 31, 2013. Our use of debt and preferred equity financing creates certain risks, including the following:

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

Dislocations and liquidity disruptions in capital and credit markets could impact liquidity in the debt markets, resulting in financing terms that are less attractive to us and/or the unavailability of certain types of debt financing. Should the capital and credit markets experience volatility and the availability of funds again become limited, or be available only on unattractive terms, we will incur increased costs associated with issuing debt instruments. In addition, it is possible that our ability to access the capital and credit markets may be limited or precluded by these or

other factors at a time when we would like, or need, to do so, which would adversely impact our ability to refinance maturing debt and/or react to changing economic and business conditions. Uncertainty in the credit markets could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. Potential continued disruptions in the financial markets could also have other unknown adverse effects on us or the economy generally and may cause the price of our

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securities to fluctuate significantly and/or to decline.

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

There is significant uncertainty surrounding the futures of Fannie Mae and Freddie Mac (the “Government Sponsored Enterprises” or “GSEs”) and recent changes in leadership of the GSEs' regulator has heightened this uncertainty. Through their lender originator networks, the GSEs are significant lenders both to the Company and to buyers of the Company's properties. The GSEs have a mandate to support multifamily housing through their financing activities. Should the GSEs have their mandates changed or reduced, materially change their lending terms, lose key personnel, be disbanded or reorganized by the government or otherwise discontinue providing liquidity to our sector, it would significantly reduce our access to secured debt capital and/or increase borrowing costs and would significantly reduce our sales of assets and/or the values realized upon sale. During the first quarter of 2013, the regulator of the GSEs required the GSEs to decrease their 2013 multifamily lending activities by 10% compared to 2012 levels and it is not clear if further reductions will be mandated. The GSEs' regulator may require the GSEs to focus more of their lending activities on properties that the regulator deems affordable, which may or may not include the Company's assets. Disruptions in the floating rate tax-exempt bond market (where interest rates reset weekly) and in the credit market's perception of the GSEs, which guarantee and provide liquidity for many of these bonds, have been experienced in the past and may be experienced in the future and could result in an increase in interest rates on these debt obligations. These bonds could also be put to our consolidated subsidiaries if the GSEs fail to satisfy their guaranty obligations. While this obligation is in almost all cases non-recourse to us, this could cause the Company to have to repay these obligations on short notice or risk foreclosure actions on the collateralized assets.

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

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

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

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

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

Scheduled debt payments could adversely affect our financial condition.

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

We may not be able to refinance existing debt, including joint venture indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if we can, the terms of such refinancing might not be as favorable as the terms of existing indebtedness. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our operating cash flow will not be

sufficient in all years to repay all maturing debt. As a result, certain of our other debt may cross default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

Please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for the

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Company's debt maturity schedule as of December 31, 2013.

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

The mortgages on our properties may contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage.

In addition, our unsecured credit facilities contain certain restrictions, requirements and other limitations on our ability to incur debt. The indentures under which a substantial portion of our unsecured debt was issued also contain certain financial and operating covenants including, among other things, maintenance of certain financial ratios, as well as limitations on our ability to incur secured and unsecured debt (including acquisition financing), and to sell all or substantially all of our assets. Our credit facilities and indentures are cross-defaulted and also contain cross default provisions with other material debt. While the Company believes it was in compliance with its unsecured public debt covenants for both the years ended December 31, 2013 and 2012, should it fall out of compliance, it would likely have a negative impact on our financial condition and results of operations.

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

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

Our degree of leverage could have important consequences to security holders. For example, the degree of leverage could affect our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, making us more vulnerable to a downturn in business or the economy in general. Our consolidated debt-to-total market capitalization ratio was 35.6% as of December 31, 2013. In addition, our most restrictive unsecured public debt covenants are as follows:

	December 31, 2013		December 31, 2012	
Total Debt to Adjusted Total Assets (not to exceed 60%)	40.0	%	38.6	%
Secured Debt to Adjusted Total Assets (not to exceed 40%)	19.2	%	17.6	%
Consolidated Income Available for Debt Service to Maximum Annual Service Charges (must be at least 1.5 to 1)	3.07		3.00	
Total Unsecured Assets to Unsecured Debt (must be at least 150%)	326.9	%	346.3	%

Rising interest rates could adversely affect cash flow.

Advances under our credit facilities bear interest at variable rates based upon LIBOR at various interest periods, plus a spread dependent upon the Operating Partnership's credit rating, or based upon bids received from the lending group. Certain public issuances of our senior unsecured debt instruments may also, from time to time, bear interest at floating rates. We may also borrow additional money with variable interest rates in the future. Increases in interest rates would increase our interest expense under these debt instruments and would increase the costs of refinancing existing debt and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and make distributions to security holders.

Derivatives and hedging activity could adversely affect cash flow.

In the normal course of business, we use derivatives to manage our exposure to interest rate volatility on debt instruments, including hedging for future debt issuances. At other times we may utilize derivatives to increase our exposure to floating interest rates. We may also use derivatives to manage our exposure to foreign exchange rates or manage commodity prices in the daily operations of our business. There can be no assurance that these hedging

arrangements will have the desired beneficial impact. These arrangements, which can include a number of counterparties, may expose us to additional risks, including failure of any of our counterparties to perform under these contracts, and may involve extensive costs, such as transaction fees or breakage costs,

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if we terminate them. No strategy can completely insulate us from the risks associated with interest rate, foreign exchange or commodity pricing fluctuations.

We depend on our key personnel.

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

Control and influence by significant security holders could be exercised in a manner adverse to other security holders. The consent of certain affiliates of Mr. Zell is required for certain amendments to the Sixth Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the “Partnership Agreement”). As a result of their security ownership and rights concerning amendments to the Partnership Agreement, the security holders referred to herein may have influence over the Company. Although to the Company's knowledge these security holders have not agreed to act together on any matter, they would be in a position to exercise even more influence over the Company's affairs if they were to act together in the future. This influence could conceivably be exercised in a manner that is inconsistent with the interests of other security holders. For additional information regarding the security ownership of our trustees, including Mr. Zell, and our executive officers, see Equity Residential's definitive proxy statement.

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

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

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

We have a share ownership limit for REIT tax purposes.

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

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

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

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Inapplicability of Maryland law limiting certain changes in control.

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

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

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

We believe that we have qualified for taxation as a REIT for federal income tax purposes since our taxable year ended December 31, 1992 based, in part, upon opinions of tax counsel received whenever we have issued equity securities or engaged in significant merger transactions. We plan to continue to meet the requirements for taxation as a REIT.

Many of these requirements, however, are highly technical and complex. We cannot, therefore, guarantee that we have qualified or will qualify as a REIT in the future. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control. For example, to qualify as a REIT, our gross income must generally come from rental and other real estate or passive related sources that are itemized in the REIT tax laws. We are also required to distribute to security holders at least 90% of our REIT taxable income excluding net capital gains. The fact that we hold our assets through the Operating Partnership further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status; however, the REIT qualification rules permit REITs in certain circumstances to pay a monetary penalty for inadvertent mistakes rather than lose REIT status. There is also risk that Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified from taxation as a REIT for four years following the year in which we failed to qualify as a REIT. If we fail to qualify as a REIT, we would have to pay significant income taxes. We therefore would have less money available for investments or for distributions to security holders. This would likely have a significant adverse effect on the value of our securities. In addition, we would no longer be required to make any distributions to security holders. Even if we qualify as a REIT, we are and will continue to be subject to certain federal, state and local taxes on our income and property. In addition, various business activities which generate income that is not qualifying income for a REIT are conducted through taxable REIT subsidiaries and will be subject to federal and state income tax at regular corporate rates to the extent they generate taxable income.

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

If any of our prior merger partners had failed to qualify as a REIT throughout the duration of their existence, then they might have had undistributed “Subchapter C corporation earnings and profits” at the time of their merger with us. If that was the case and we did not distribute those earnings and profits prior to the end of the year in which the merger took place, we might not qualify as a REIT. We believe, based in part upon opinions of legal counsel received pursuant to

the terms of our merger agreements as well as our own investigations, among other things, that each of our prior merger partners qualified as a REIT and that, in any event, none of them had any undistributed “Subchapter C corporation earnings and profits” at the time of their merger with us. If any of our prior merger partners failed to qualify as a REIT, an additional concern would be that they could have been required to recognize taxable gain at the time they merged with us. We would be liable for the tax on such gain. We also could have to pay corporate income tax on any gain existing at the time of the applicable merger on assets acquired in the merger if the assets are sold within ten years of the merger.

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Compliance with REIT distribution requirements may affect our financial condition.

Distribution requirements may increase the indebtedness of the Company.

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

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

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

Federal Income Tax Considerations

General

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

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

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

Our taxation

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

We will be subject to federal income tax at regular corporate rates upon our REIT taxable income or capital gains that we do not distribute to our shareholders. In addition, we will be subject to a 4% excise tax if we do not satisfy specific REIT distribution requirements. We could also be subject to the “alternative minimum tax” on our items of tax preference. In addition, any net income from “prohibited transactions” (i.e., dispositions of property, other than property held by a taxable REIT subsidiary, held primarily for sale to customers in the ordinary course of business) will be subject to a 100% tax. We could also be subject to a 100% penalty tax on certain payments received from or on certain expenses deducted by a taxable REIT subsidiary if any such

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transaction is not respected by the Internal Revenue Service. If we fail to satisfy the 75% gross income test or the 95% gross income test (described below) but have maintained our qualification as a REIT because we satisfied certain other requirements, we will still generally be subject to a 100% penalty tax on the taxable income attributable to the gross income that caused the income test failure. If we fail to satisfy any of the REIT asset tests (described below) by more than a de minimis amount, due to reasonable cause, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of \$50,000 or the highest marginal corporate tax rate multiplied by the net income generated by the non-qualifying assets. If we fail to satisfy any provision of the Internal Revenue Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income or asset tests described below) and the violation is due to reasonable cause, we may retain our REIT qualification but we will be required to pay a penalty of \$50,000 for each such failure. Moreover, we may be subject to taxes in certain situations and on certain transactions that we do not presently contemplate.

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

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

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

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

TRSs pay federal and state income tax at the full applicable corporate rates. The amount of taxes paid on impermissible tenant services income and the sale of real estate held primarily for sale to customers in the ordinary course of business may be material in amount. The TRSs will attempt to reduce, if possible, the amount of these taxes, but we cannot guarantee whether, or the extent to which, measures taken to reduce these taxes will be successful. To the extent that these companies are required to pay taxes, less cash may be available for distributions to shareholders.

Share Ownership Test and Organizational Requirement. In order to qualify as a REIT, our shares of beneficial interest must be held by a minimum of 100 persons for at least 335 days of a taxable year that is 12 months, or during a

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

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

(1) At least 75% of our gross income for each taxable year must generally be derived directly or indirectly from rents

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from real property, interest on obligations secured by mortgages on real property or on interests in real property, gain from the sale or other disposition of non-dealer real property and shares of REIT stock, dividends paid by another REIT and from some types of temporary investments (excluding certain hedging income).

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

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

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

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

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

The 10% value test described in clause (3)(b) above does not apply to certain securities that fall within a safe harbor under the Code. Under the safe harbor, the following are not considered “securities” held by us for purposes of this 10% value test: (i) straight debt securities, (ii) any loan of (i) an individual or an estate, (iii) certain rental agreements for the use of tangible property, (iv) any obligation to pay rents from real property, (v) any security issued by a state or any political subdivision thereof, foreign government or Puerto Rico only if the determination of any payment under such security is not based on the profits of another entity or payments on any obligation issued by such other entity, or (vi) any security issued by a REIT. The timing and payment of interest or principal on a security qualifying as straight debt may be subject to a contingency provided that (A) such contingency does not change the effective yield to maturity, not considering a de minimis change which does not exceed the greater of ¼ of 1% or 5% of the annual yield to maturity or we own \$1,000,000 or less of the aggregate issue price or value of the particular issuer's debt and not more

than 12 months of unaccrued interest can be required to be prepaid or (B) the contingency is consistent with commercial practice and the contingency is effective upon a default or the exercise of a prepayment right by the issuer of the debt. If we hold indebtedness from any issuer, including a REIT, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying real estate asset or otherwise satisfies the above safe harbor. We currently own equity interests in certain entities that have elected to be taxed as REITs for federal income tax purposes and are not publicly traded. If any such entity were to fail to qualify as a REIT, we would not meet the 10% voting stock limitation and the 10% value limitation and we would, unless certain relief provisions applied, fail to qualify as a REIT. We believe that we and each of the REITs we own an interest in have and will comply with the foregoing asset tests for REIT qualification. However, we cannot provide any assurance that the Internal Revenue Service will agree with our determinations.

If we fail to satisfy the 5% or 10% asset tests described above after a 30-day cure period provided in the Internal Revenue Code, we will be deemed to have met such tests if the value of our non-qualifying assets is de minimis (i.e., does not exceed the lesser of 1% of the total value of our assets at the end of the applicable quarter or \$10,000,000) and we dispose of the non-qualifying

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assets within six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered. For violations due to reasonable cause and not willful neglect that are in excess of the de minimis exception described above, we may avoid disqualification as a REIT under any of the asset tests, after the 30-day cure period, by disposing of sufficient assets to meet the asset test within such six month period, paying a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets and disclosing certain information to the Internal Revenue Service. If we cannot avail ourselves of these relief provisions, or if we fail to timely cure any noncompliance with the asset tests, we would cease to qualify as a REIT.

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

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

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

Taxation of domestic shareholders subject to U.S. tax

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

To the extent we make distributions to our taxable domestic shareholders in excess of our earnings and profits, such distributions will be considered a return of capital. Such distributions will be treated as a tax-free distribution and will reduce the tax basis of a shareholder's common shares by the amount of the distribution so treated. To the extent such distributions cumulatively exceed a taxable domestic shareholder's tax basis, such distributions are taxable as gain

from the sale of shares. Shareholders may not include in their individual income tax returns any of our net operating losses or capital losses.

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

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

Generally, our designated capital gain dividends will be broken out into net capital gains distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 20% as of January 1, 2013 for individual taxpayers in the highest tax bracket) and unrecaptured Section 1250 gain distributions (which are taxable to taxable domestic shareholders that are individuals, estates or trusts at a maximum rate of 25%).

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

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

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

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

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

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

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

Taxation of domestic tax-exempt shareholders

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

constitute UBTI unless the shareholder held the shares as debt financed property or used the shares in a trade or business.

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

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

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for purposes of this rule.

Taxation of foreign shareholders

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

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

Distributions by Us. Distributions by us to a foreign shareholder that are neither attributable to gain from sales or exchanges by us of United States real property interests nor designated by us as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of our earnings and profits. These distributions ordinarily will be subject to withholding of United States federal income tax on a gross basis at a 30% rate, or a lower treaty rate, unless the dividends are treated as effectively connected with the conduct by the foreign shareholder of a United States trade or business. Please note that under certain treaties lower withholding rates generally applicable to dividends do not apply to dividends from REITs. Dividends that are effectively connected with a United States trade or business will be subject to tax on a net basis at graduated rates, and are generally not subject to withholding. Certification and disclosure requirements must be satisfied before a dividend is exempt from withholding under this exemption. A foreign shareholder that is a corporation also may be subject to an additional branch profits tax at a 30% rate or a lower treaty rate.

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

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

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

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

Any capital gain dividend with respect to any class of our stock which is “regularly traded” on an established securities market, will be treated as an ordinary dividend described above, if the foreign shareholder did not own more than 5% of such class of stock at any time during the one year period ending on the date of the distribution. Foreign shareholders generally will not be required to report such distributions received from us on U.S. federal income tax returns and all distributions treated as dividends for U.S. federal income tax purposes, including any capital gain

dividends, will be subject to a 30% U.S. withholding tax (unless reduced or eliminated under an applicable income tax treaty), as described above. In addition, the branch profits tax will no longer apply to such distributions.

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

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

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that a shareholder that is a foreign corporation may also be subject to the branch profits tax, as discussed above; or
the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more
(b) during the taxable year and has a “tax home” in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

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

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

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

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

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

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

- (a) the class or series of shares being sold is “regularly traded,” as defined by applicable IRS regulations, on an established securities market such as the New York Stock Exchange; and
- (b) the selling foreign shareholder owned 5% or less of the value of the outstanding class or series of shares being sold throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale or exchange of common shares were subject to taxation under FIRPTA, the foreign shareholder would be subject to regular United States income tax with respect to the gain in the same manner as a taxable U.S. shareholder, subject to any applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals and the possible application of the branch profits tax in the case of foreign corporations. The purchaser of the common shares would be required to withhold and remit to the IRS 10% of the purchase price.

Information reporting requirement and backup withholding

We will report to our domestic shareholders and the Internal Revenue Service the amount of distributions paid during each calendar year and the amount of tax withheld, if any. Under certain circumstances, domestic shareholders may be subject to

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

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

The Foreign Account Tax Compliance Act ("FATCA") is contained in Sections 1471 through 1474 of the Internal Revenue Code (and the Treasury Regulations thereunder) and was originally enacted in 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA will impose a U.S. withholding tax at a 30% rate on dividends paid after June 30, 2014 and on proceeds from the sale of our shares paid after December 31, 2016 to "foreign financial institutions" (as defined under FATCA) and certain other foreign entities if certain due diligence and disclosure requirements related to U.S. accounts with, or ownership of, such entities are not satisfied or an exemption does not apply. If FATCA withholding is imposed, non-U.S. beneficial owners that are otherwise eligible for an exemption from, or a reduction of, U.S. withholding tax with respect to such distributions and sale proceeds would be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. Any payment made by us that is subject to withholding under FATCA or otherwise will be net of the amount required to be withheld.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2013, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 390 properties located in 12 states and the District of Columbia consisting of 109,855 apartment units. The Company's properties are summarized by building type in the following table:

Type	Properties	Apartment Units	Average Apartment Units
Garden	214	59,926	280
Mid/High-Rise	174	44,816	258
Military Housing	2	5,113	2,557
Total	390	109,855	

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

	Properties	Apartment Units
Wholly Owned Properties	362	98,468
Master-Leased Properties – Consolidated	3	853
Partially Owned Properties – Consolidated	19	3,752
Partially Owned Properties – Unconsolidated	4	1,669
Military Housing	2	5,113
	390	109,855

As a result of the Archstone Transaction and the property sales to help finance the transaction, the Company's portfolio has changed significantly from the portfolio summary included in the Company's annual report on Form 10-K for the year ended December 31, 2012. The following table sets forth certain information by market relating to the Company's

properties at December 31, 2013 as compared to December 31, 2012:

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Markets/Metro Areas	Portfolio Summary as of December 31, 2012				Portfolio Summary as of December 31, 2013			
	Properties	Apartment Units	% of Stabilized NOI (1)	Average Rental Rate (3)	Properties	Apartment Units	% of Stabilized NOI (2)	Average Rental Rate (3)
Core:								
Washington DC	43	14,425	15.9	% \$1,992	56	18,275	18.6	% \$2,223
New York	30	8,047	13.9	% 3,433	38	10,330	17.0	% 3,727
San Francisco	40	9,094	8.6	% 1,902	51	13,210	13.2	% 2,227
Los Angeles	48	9,815	9.9	% 1,879	57	11,960	11.3	% 2,064
Boston	26	5,832	8.2	% 2,560	34	7,816	10.3	% 2,802
South Florida	36	12,253	9.0	% 1,463	35	11,462	7.4	% 1,547
Seattle	38	7,563	6.4	% 1,627	38	7,734	6.4	% 1,778
Denver	24	8,144	5.5	% 1,226	19	6,935	4.5	% 1,321
San Diego	14	4,963	5.0	% 1,851	13	3,505	3.2	% 1,906
Orange County, CA	11	3,490	3.3	% 1,660	11	3,490	3.0	% 1,723
Subtotal – Core	310	83,626	85.7	% 1,941	352	94,717	94.9	% 2,202
Non-Core:								
Inland Empire, CA	10	3,081	2.4	% 1,491	10	3,081	2.2	% 1,514
Orlando	21	6,413	3.5	% 1,086	10	3,383	1.7	% 1,130
New England (excluding Boston)	14	2,611	1.3	% 1,174	11	1,965	0.8	% 1,212
Phoenix	25	7,400	3.4	% 946	4	1,260	0.4	% 952
Atlanta	12	3,616	2.0	% 1,157	1	336	0.0	% 1,301
Jacksonville	6	2,117	1.1	% 1,005	—	—	—	—
Tacoma, WA	3	1,467	0.6	% 951	—	—	—	—
Subtotal – Non-Core	91	26,705	14.3	% 1,099	36	10,025	5.1	% 1,248
Total	401	110,331	100.0	% 1,737	388	104,742	100.0	% 2,110
Military Housing	2	5,039	—	—	2	5,113	—	—
Grand Total	403	115,370	100.0	% \$1,737	390	109,855	100.0	% \$2,110

(1) % of Stabilized NOI for the 12/31/12 Portfolio Summary includes budgeted 2013 NOI for stabilized properties, budgeted year one (March 2013 to February 2014) NOI for the Archstone properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(2) % of Stabilized NOI for the 12/31/13 Portfolio Summary includes budgeted 2014 NOI for stabilized properties (including the Archstone properties) and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(3) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartment units for the last month of the period presented.

Note: Projects under development are not included in the Portfolio Summary until construction has been completed. The Company's properties had an average occupancy of approximately 93.8% (94.8% on a same store basis) at December 31, 2013. Certain of the Company's properties are encumbered by mortgages and additional detail can be found on Schedule III – Real Estate and Accumulated Depreciation. Resident leases are generally for twelve months in length and can require security deposits. The garden-style properties are generally defined as properties with two and/or three story buildings while the mid-rise/high-rise are defined as properties with greater than three story buildings. These two property types typically provide residents with amenities, which may include a clubhouse, swimming pool, laundry facilities and cable television access. Certain of these properties offer additional amenities such as saunas, whirlpools, spas, sports courts and exercise rooms or other amenities. In addition, many of our urban

properties have parking garage and/or retail components. The military housing properties are defined as those properties located on military bases.

The distribution of the properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional influences. At the same time, the Company has sought to create clusters of properties within each of its core markets in order to achieve economies of scale in management and operation. The Company may nevertheless acquire additional multifamily properties located anywhere in the United States and internationally.

The properties currently in various stages of development and lease-up at December 31, 2013 are included in the following tables:

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Consolidated Development and Lease-Up Projects as of December 31, 2013

(Amounts in thousands except for project and apartment unit amounts)

Project Location	No. of Apartment Units	Total Capital Cost (1)	Total Book Value to Date	Total Book Value Not Placed in Service	Total Debt	Percent Completed	Percent Leased	Percent Occupied	Estimated Completion Date	Estimated Stabilization Date
Projects Under Development										
- Wholly Owned:										
1111 Belle Pre Alexandria, (formerly My The Madison)	360	\$115,072	\$102,310	\$102,310	\$—	92 %	27 %	17 %	Q1 2014	Q2 2015
Jia (formerly Los Angeles, Chinatown Gateway)	280	92,920	86,761	86,761	—	99 %	4 %	—	Q1 2014	Q3 2015
Urbana (formerly Seattle, Market Street Landing)	287	90,024	77,522	77,522	—	88 %	1 %	—	Q1 2014	Q3 2015
Reserve at Town Center III (formerly Westgate II)	95	21,330	18,429	18,429	—	77 %	10 %	—	Q2 2014	Q4 2014
Residences at Westgate II (formerly Westgate III)	88	54,037	31,246	31,246	—	36 %	—	—	Q2 2014	Q1 2015
Residences at Westgate I (formerly Westgate I)	252	125,293	101,569	101,569	—	71 %	—	—	Q2 2014	Q2 2015

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II) 170 Amsterdam (2) New York, NY	237	110,892	44,799	44,799	—	30 %	—	—	Q1 2015	Q1 2016
Azure (at Mission Bay) San Francisco, CA	273	189,090	66,268	66,268	—	21 %	—	—	Q3 2015	Q4 2016
West Seattle, Seattle, WA	206	67,112	18,719	18,719	—	2 %	—	—	Q4 2015	Q3 2016
Tallman Seattle, WA	303	84,277	23,397	23,397	—	5 %	—	—	Q4 2015	Q2 2017
Village at Howard Hughes Los Angeles, CA	545	193,231	51,728	51,728	—	1 %	—	—	Q2 2016	Q2 2017
Tasman San Jose, CA	554	214,923	49,380	49,380	—	5 %	—	—	Q2 2016	Q2 2018
Projects Under Development -	3,480	1,358,201	672,128	672,128	—					
Wholly Owned Projects Under Development -										
Partially Owned: Park Aire (formerly Enclave at Wellington) (3) Wellington, FL	268	50,000	47,445	47,445	—	96 %	32 %	29 %	Q1 2014	Q1 2015
400 Park Avenue South (4) New York, NY	269	251,961	172,523	172,523	—	63 %	—	—	Q2 2015	Q1 2016
Projects Under Development -	537	301,961	219,968	219,968	—					
Partially Owned Projects Under	4,017	1,660,162	892,096	892,096	—					

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Development Completed Not Stabilized -									
Wholly Owned (5): Gaithersburg Station (6) MD (7)	389	93,000	92,177	—	89,462	91 %	85 %	Completed	Q2 2014
Breakwater at Marina Del Rey (2) (6) (8)	224	90,449	87,590	—	27,000	75 %	70 %	Completed	Q2 2014
Oasis at Delray Beach (3) II	128	23,739	21,330	—	—	47 %	38 %	Completed	Q2 2014
Projects Completed Not Stabilized -	741	207,188	201,097	—	116,462				
Wholly Owned									
Projects Completed Not Stabilized	741	207,188	201,097	—	116,462				
Total Consolidated Projects	4,758	\$1,867,350	\$1,093,193	\$892,096	\$116,462				
Land Held for Development	N/A	N/A	\$393,522	\$393,522	\$—				

Total capital cost represents estimated cost for projects under development and/or developed and all capitalized (1) costs incurred to date plus any estimates of costs remaining to be funded for all projects, all in accordance with GAAP.

- (2) The land under this development is subject to a long term ground lease.
The Company acquired this development project in connection with the Archstone Transaction and is
- (3) continuing/has completed development activities. The Company owns 100% of Oasis at Delray Beach II and has a 95.0% ownership interest in Park Aire.
The Company is jointly developing with Toll Brothers (NYSE: TOL) a project at 400 Park Avenue South in New
- (4) York City with the Company's rental portion on floors 2-22 and Toll's for sale portion on floors 23-40. The total capital cost and total book value to date represent only the Company's portion of the project. Toll Brothers has funded \$96.8 million for their allocated share of the project.
- (5) Properties included here are substantially complete. However, they may still require additional exterior and interior work for all apartment units to be available for leasing.
- (6) Amounts have been adjusted to reflect Q2/Q3/Q4 2013 changes to the purchase price allocation for these projects which were acquired in the Archstone Transaction.
The Company acquired this completed development project prior to stabilization in connection with the Archstone
- (7) Transaction and is continuing lease-up activities. This project has a non-recourse loan with a current outstanding balance of \$89.5 million, bears interest at 5.24% and matures April 1, 2053.
The Company acquired this property in connection with the Archstone Transaction and has completed renovations.
- (8) The non-recourse loan on this property has a current outstanding balance of \$27.0 million, bears interest at LIBOR plus 1.75% and matures September 1, 2014.

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Unconsolidated Development and Lease-Up Projects as of December 31, 2013
(Amounts in thousands except for project and apartment unit amounts)

Project Location	Percentage Ownership	No. of Apartment Units	Total Capital Cost (1)	Total Book Value to Date	Total Book Value Not Placed in Service	Total Debt	Percent Completed	Percent Leased	Percent Occupied	Estimated Completion Date	Estimated Stabilization Date
Projects Under Development - Unconsolidated:											
Parkside at Emeryville, CA (2) (3)	5.0 %	176	\$75,000	\$45,123	\$45,123	\$11,379	50 %	—	—	Q4 2014	Q4 2015
Projects Under Development - Unconsolidated		176	75,000	45,123	45,123	11,379					
Projects Under Development		176	75,000	45,123	45,123	11,379					
Completed Not Stabilized - Unconsolidated (4):											
San Phoenix, Norterra AZ (5)	85.0 %	388	56,250	52,899	—	33,030	85 %	78 %	Completed	Q2 2014	
Nexus Sawgrass (formerly Sunrise Village) (6)	20.0 %	501	80,000	78,271	—	47,616	69 %	64 %	Completed	Q3 2014	
DorSan Jose, CA (6)	20.0 %	444	154,570	153,207	—	91,633	48 %	44 %	Completed	Q4 2015	
Projects Completed Not Stabilized - Unconsolidated		1,333	290,820	284,377	—	172,279					
		1,333	290,820	284,377	—	172,279					

Projects
 Completed Not
 Stabilized

Total

Unconsolidated 1,509 \$365,820 \$329,500 \$45,123 \$183,658
 Projects

Total capital cost represents estimated cost for projects under development and/or developed and all capitalized (1) costs incurred to date plus any estimates of costs remaining to be funded for all projects, all in accordance with GAAP.

The Company acquired this development project in connection with the Archstone Transaction. Total project costs are approximately \$75.0 million and construction is being partially funded with a construction loan. Parkside at (2) Emeryville has a maximum debt commitment of \$39.5 million, the loan bears interest at LIBOR plus 2.25% and matures August 14, 2015. The Company has given a repayment guaranty on the construction loan of 50% of the outstanding balance, up to a maximum of \$19.7 million, and has given certain construction cost overrun guarantees.

(3) Amounts have been adjusted to reflect Q2/Q3/Q4 2013 changes to the purchase price allocation for this project which was acquired in the Archstone Transaction.

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

The Company acquired this development project in connection with the Archstone Transaction. Total project costs are approximately \$56.3 million and construction was partially funded with a non-recourse construction loan. San (5) Norterra has a maximum debt commitment of \$34.8 million, the loan bears interest at LIBOR plus 2.00% and matures January 6, 2015.

These development projects are owned 20% by the Company and 80% by an institutional partner in two separate unconsolidated joint ventures. Total project costs are approximately \$234.6 million and construction was predominantly funded with two separate long-term, non-recourse secured loans from the partner. The Company (6) was responsible for constructing the projects and has given certain construction cost overrun guarantees but currently has no further funding obligations. Nexus Sawgrass has a maximum debt commitment of \$48.7 million, the loan bears interest at 5.60% and matures January 1, 2021. Domain has a maximum debt commitment of \$98.6 million, the loan bears interest at 5.75% and matures January 1, 2022.

Item 3. Legal Proceedings

The Company is party to a housing discrimination lawsuit brought by a non-profit civil rights organization in April 2006 in the U.S. District Court for the District of Maryland. The suit alleges that the Company designed and built approximately 300 of its properties in violation of the accessibility requirements of the Fair Housing Act and Americans With Disabilities Act. The suit seeks actual and punitive damages, injunctive relief (including modification of non-compliant properties), costs and attorneys' fees. The Company believes it has a number of viable defenses, including that a majority of the named properties were completed before the operative dates of the statutes in question and/or were not designed or built by the Company. Accordingly, the Company is defending the suit vigorously. Due to the pendency of the Company's defenses and the uncertainty of many other critical factual and legal issues, it is not possible to determine or predict the outcome of the suit or a possible loss or a range of loss, and no amounts have been accrued at December 31, 2013. While no assurances can be given, the Company does not believe that the suit, if adversely determined, would have a material adverse effect on the Company.

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

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Common Share Market Prices and Dividends (Equity Residential)

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

	Sales Price			Distributions
	High	Low	Closing	
2013				
Fourth Quarter Ended December 31, 2013	\$56.06	\$50.08	\$51.87	\$0.6500
Third Quarter Ended September 30, 2013	\$59.40	\$50.24	\$53.57	\$0.4000
Second Quarter Ended June 30, 2013	\$60.97	\$52.71	\$58.06	\$0.4000
First Quarter Ended March 31, 2013	\$58.81	\$53.64	\$55.06	\$0.4000
2012				
Fourth Quarter Ended December 31, 2012	\$59.61	\$53.25	\$56.67	\$0.7675
Third Quarter Ended September 30, 2012	\$65.72	\$56.76	\$57.53	\$0.3375
Second Quarter Ended June 30, 2012	\$63.84	\$58.67	\$62.36	\$0.3375
First Quarter Ended March 31, 2012	\$62.79	\$53.56	\$62.62	\$0.3375

The number of record holders of Common Shares at February 21, 2014 was approximately 3,500. The number of outstanding Common Shares as of February 21, 2014 was 361,079,202.

Unit Dividends (ERP Operating Limited Partnership)

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

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

	Distributions	
	2013	2012
Fourth Quarter Ended December 31,	\$0.6500	\$0.7675
Third Quarter Ended September 30,	\$0.4000	\$0.3375
Second Quarter Ended June 30,	\$0.4000	\$0.3375
First Quarter Ended March 31,	\$0.4000	\$0.3375

The number of record holders of Units in the Operating Partnership at February 21, 2014 was approximately 500. The number of outstanding Units as of February 21, 2014 was 375,458,545.

Unregistered Common Shares Issued in the Quarter Ended December 31, 2013 (Equity Residential)

During the quarter ended December 31, 2013, EQR issued 20,000 Common Shares in exchange for 20,000 OP Units held by various limited partners of the Operating Partnership. OP Units are generally exchangeable into Common Shares on a one-for-one basis or, at the option of the Operating Partnership, the cash equivalent thereof, at any time one year after the date of issuance. These shares were either registered under the Securities Act of 1933, as amended (the "Securities Act"), or issued in reliance on an exemption from registration under Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder, as these were transactions by an issuer not involving a public offering. In light of the manner of the sale and information obtained by EQR from the limited partners in connection with these transactions, EQR believes it may rely on these exemptions.

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Equity Compensation Plan Information

The following table provides information as of December 31, 2013 with respect to the Company's Common Shares that may be issued under its existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
	(a) (1)	(b) (1)	(c) (2)
Equity compensation plans approved by shareholders	8,470,532	\$43.67	12,670,116
Equity compensation plans not approved by shareholders	N/A	N/A	N/A

The amounts shown in columns (a) and (b) of the above table do not include 500,234 outstanding Common Shares (all of which are restricted and subject to vesting requirements) that were granted under the Company's 2002 Share (1) Incentive Plan, as restated (the "2002 Plan") and the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan") and outstanding Common Shares that have been purchased by employees and trustees under the Company's ESPP.

Includes 9,562,775 Common Shares that may be issued under the 2011 Plan, of which only 33% may be in the (2) form of restricted shares, and 3,107,341 Common Shares that may be sold to employees and trustees under the ESPP.

On June 16, 2011, the shareholders of EQR approved the Company's 2011 Plan and the Company filed a Form S-8 registration statement to register 12,980,741 Common Shares under this plan. As of December 31, 2013, 9,562,775 shares were available for future issuance. In conjunction with the approval of the 2011 Plan, no further awards may be granted under the 2002 Plan. The 2011 Plan expires on June 16, 2021.

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

Item 6. Selected Financial Data

The following tables set forth selected financial and operating information on a historical basis for the Company and the Operating Partnership. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating and balance sheet data have been derived from the historical financial statements of the Company and the Operating Partnership. All amounts have also been restated in accordance with the guidance on discontinued operations. Certain capitalized terms as used herein are defined in the Notes to Consolidated Financial Statements.

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Equity Residential
 CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
 (Financial information in thousands except for per share and property data)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
OPERATING DATA:					
Total revenues from continuing operations	\$2,387,702	\$1,747,502	\$1,525,220	\$1,334,418	\$1,211,141
Interest and other income	\$4,656	\$150,546	\$7,963	\$4,278	\$16,515
(Loss) income from continuing operations	\$(168,174)	\$160,298	\$(72,941)	\$(204,152)	\$(185,089)
Discontinued operations, net	\$2,073,527	\$720,906	\$1,008,138	\$500,135	\$567,118
Net income	\$1,905,353	\$881,204	\$935,197	\$295,983	\$382,029
Net income available to Common Shares	\$1,826,468	\$826,212	\$879,720	\$269,242	\$347,794
Earnings per share – basic:					
(Loss) income from continuing operations available to Common Shares	\$(0.47)	\$0.45	\$(0.28)	\$(0.73)	\$(0.69)
Net income available to Common Shares	\$5.16	\$2.73	\$2.98	\$0.95	\$1.27
Weighted average Common Shares outstanding	354,305	302,701	294,856	282,888	273,609
Earnings per share – diluted:					
(Loss) income from continuing operations available to Common Shares	\$(0.47)	\$0.45	\$(0.28)	\$(0.73)	\$(0.69)
Net income available to Common Shares	\$5.16	\$2.70	\$2.98	\$0.95	\$1.27
Weighted average Common Shares outstanding	354,305	319,766	294,856	282,888	273,609
Distributions declared per Common Share outstanding	\$1.85	\$1.78	\$1.58	\$1.47	\$1.64
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$26,800,948	\$21,008,429	\$20,407,946	\$19,702,371	\$18,465,144
Real estate, after accumulated depreciation	\$21,993,239	\$16,096,208	\$15,868,363	\$15,365,014	\$14,587,580
Total assets	\$22,834,545	\$17,201,000	\$16,659,303	\$16,184,194	\$15,417,515
Total debt	\$10,766,254	\$8,529,244	\$9,721,061	\$9,948,076	\$9,392,570
Redeemable Noncontrolling Interests – Operating Partnership	\$363,144	\$398,372	\$416,404	\$383,540	\$258,280
Total shareholders' equity	\$10,507,201	\$7,289,813	\$5,669,015	\$5,090,186	\$5,047,339
Total Noncontrolling Interests	\$337,995	\$237,294	\$193,842	\$118,390	\$127,174

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OTHER DATA:

Total properties (at end of period)	390	403	427	451	495
Total apartment units (at end of period)	109,855	115,370	121,974	129,604	137,007
Funds from operations available to Common					
Shares and Units – basic (1) (3) (4)	\$872,421	\$993,217	\$752,153	\$622,786	\$615,505
Normalized funds from operations available to					
Common Shares and Units – basic (2) (3) (4)	\$1,057,073	\$883,269	\$759,665	\$682,422	\$661,542
Cash flow provided by (used for):					
Operating activities	\$868,916	\$1,046,155	\$800,467	\$726,037	\$670,812
Investing activities	\$(6,977)	\$(261,168)	\$(197,208)	\$(639,458)	\$105,229
Financing activities	\$(1,420,995)	\$(556,318)	\$(650,746)	\$151,541	\$(1,473,547)

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ERP Operating Limited Partnership

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

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

	Year Ended December 31,				
	2013	2012	2011	2010	2009
OPERATING DATA:					
Total revenues from continuing operations	\$2,387,702	\$1,747,502	\$1,525,220	\$1,334,418	\$1,211,141
Interest and other income	\$4,656	\$150,546	\$7,963	\$4,278	\$16,515
(Loss) income from continuing operations	\$(168,174)	\$160,298	\$(72,941)	\$(204,152)	\$(185,089)
Discontinued operations, net	\$2,073,527	\$720,906	\$1,008,138	\$500,135	\$567,118
Net income	\$1,905,353	\$881,204	\$935,197	\$295,983	\$382,029
Net income available to Units	\$1,901,746	\$864,853	\$920,500	\$282,341	\$368,099
Earnings per Unit – basic:					
(Loss) income from continuing operations available to Units	\$(0.47)	\$0.45	\$(0.28)	\$(0.73)	\$(0.69)
Net income available to Units	\$5.16	\$2.73	\$2.98	\$0.95	\$1.27
Weighted average Units outstanding	368,038	316,554	308,062	296,527	289,167
Earnings per Unit – diluted:					
(Loss) income from continuing operations available to Units	\$(0.47)	\$0.45	\$(0.28)	\$(0.73)	\$(0.69)
Net income available to Units	\$5.16	\$2.70	\$2.98	\$0.95	\$1.27
Weighted average Units outstanding	368,038	319,766	308,062	296,527	289,167
Distributions declared per Unit outstanding	\$1.85	\$1.78	\$1.58	\$1.47	\$1.64
BALANCE SHEET DATA (at end of period):					
Real estate, before accumulated depreciation	\$26,800,948	\$21,008,429	\$20,407,946	\$19,702,371	\$18,465,144
Real estate, after accumulated depreciation	\$21,993,239	\$16,096,208	\$15,868,363	\$15,365,014	\$14,587,580
Total assets	\$22,834,545	\$17,201,000	\$16,659,303	\$16,184,194	\$15,417,515
Total debt	\$10,766,254	\$8,529,244	\$9,721,061	\$9,948,076	\$9,392,570
Redeemable Limited Partners	\$363,144	\$398,372	\$416,404	\$383,540	\$258,280
Total partners' capital	\$10,718,613	\$7,449,419	\$5,788,551	\$5,200,585	\$5,163,459
Noncontrolling Interests – Partially Owned Properties	\$126,583	\$77,688	\$74,306	\$7,991	\$11,054
OTHER DATA:					
Total properties (at end of period)	390	403	427	451	495
Total apartment units (at end of period)	109,855	115,370	121,974	129,604	137,007

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Funds from operations available to Units – basic (1) (3) (4)	\$ 872,421	\$ 993,217	\$ 752,153	\$ 622,786	\$ 615,505
Normalized funds from operations available to Units – basic (2) (3) (4)	\$ 1,057,073	\$ 883,269	\$ 759,665	\$ 682,422	\$ 661,542
Cash flow provided by (used for):					
Operating activities	\$ 868,916	\$ 1,046,155	\$ 800,467	\$ 726,037	\$ 670,812
Investing activities	\$(6,977)	\$(261,168)	\$(197,208)	\$(639,458)	\$ 105,229
Financing activities	\$(1,420,995)	\$(556,318)	\$(650,746)	\$ 151,541	\$(1,473,547)

The National Association of Real Estate Investment Trusts (“NAREIT”) defines funds from operations (“FFO”) (April 2002 White Paper) as net income (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales and impairment write-downs of depreciable operating properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The April 2002 White Paper states that gain or loss on sales of property is excluded from FFO for previously depreciated operating properties only. Once the Company commences the conversion of apartment units to condominiums, it simultaneously discontinues depreciation of such property.

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

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

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

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

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

The following discussion and analysis of the results of operations and financial condition of the Company and the Operating Partnership should be read in connection with the Consolidated Financial Statements and Notes thereto. Due to the Company’s ability to control the Operating Partnership and its subsidiaries, the Operating Partnership and each such subsidiary entity has been consolidated with the Company for financial reporting purposes, except for one unconsolidated development property, four unconsolidated operating properties and our military housing properties. Capitalized terms used herein and not defined are as defined elsewhere in this Annual Report on Form 10-K for the

year ended December 31, 2013.

Forward-Looking Statements

Forward-looking statements in this Item 7 as well as elsewhere in this Annual Report on Form 10-K are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, projections and assumptions made by management. While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such information is inherently subject to uncertainties and may involve certain risks, which could cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Many of these uncertainties and risks are difficult to predict and beyond management's control. Forward-looking statements are not guarantees of future performance, results or events. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update or supplement these forward-looking statements. Factors that might cause such differences include, but are not limited to the following:

We intend to actively acquire, develop and rehab multifamily properties for rental operations as market conditions dictate. We may also acquire multifamily properties that are unoccupied or in the early stages of lease up. We may

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be unable to lease up these apartment properties on schedule, resulting in decreases in expected rental revenues and/or lower yields due to lower occupancy and rates as well as higher than expected concessions. We may not be able to achieve rents that are consistent with expectations for acquired, developed or rehabbed properties. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position, to complete a development property or to complete a rehab. Additionally, we expect that other real estate investors with capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development and acquisition efforts. This competition (or lack thereof) may increase (or depress) prices for multifamily properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms. We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including large portfolios, that could increase our size and result in alterations to our capital structure. The total number of apartment units under development, costs of development and estimated completion dates are subject to uncertainties arising from changing economic conditions (such as the cost of labor and construction materials), competition and local government regulation;

Debt financing and other capital required by the Company may not be available or may only be available on adverse terms;

Labor and materials required for maintenance, repair, capital expenditure or development may be more expensive than anticipated;

Occupancy levels and market rents may be adversely affected by national and local economic and market conditions including, without limitation, new construction and excess inventory of multifamily and single family housing, increasing portions of single family housing stock being converted to rental use, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multifamily rental housing, governmental regulations, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond the Company's control; and

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

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

Overview

Equity Residential ("EQR"), a Maryland real estate investment trust ("REIT") formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of 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.

EQR is the general partner of, and as of December 31, 2013 owned an approximate 96.2% ownership interest in, ERPOP. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership and EQR has no material assets or liabilities other than its investment in ERPOP. EQR issues equity from time to time 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 are located in Chicago, Illinois and the Company also operates property management offices in each of its markets. As of December 31, 2013, the Company had approximately 3,600 employees who provided real estate operations, leasing, legal, financial, accounting, acquisition, disposition, development and other support functions.

Business Objectives and Operating and Investing Strategies

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

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

High barriers to entry where, because of land scarcity or government regulation, it is difficult or costly to build new apartment properties, creating limits on new supply;

High home ownership costs;

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

Urban core locations with an attractive quality of life and higher wage job categories leading to high resident demand and retention; and

Favorable demographics contributing to a larger pool of target residents with a high propensity to rent apartments.

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

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

Acquisitions and developments may be financed from various sources of capital, which may include retained cash flow, issuance of additional equity and debt, sales of properties and joint venture agreements. In addition, the Company may acquire properties in transactions that include the issuance of limited partnership interests in the Operating Partnership (“OP Units”) as consideration for the acquired properties. Such transactions may, in certain circumstances, enable the sellers to defer, in whole or in part, the recognition of taxable income or gain that might otherwise result from the sales. The Company may acquire land parcels to hold and/or sell based on market opportunities as well as options to buy more land in the future. The Company may also seek to acquire properties by purchasing defaulted or distressed debt that encumbers desirable properties in the hope of obtaining title to property through foreclosure or deed-in-lieu of foreclosure proceedings. The Company has also, in the past, converted some of its properties and sold them as condominiums but is not currently active in this line of business.

Over the past several years, the Company has done an extensive repositioning of its portfolio from low barrier to entry/non-core markets to high barrier to entry/core markets. Since 2005, the Company has sold over 162,000 apartment units primarily in its non-core markets for an aggregate sales price of approximately \$15.6 billion, acquired over 66,000 apartment units primarily in its core markets for approximately \$19.0 billion and began approximately \$4.1 billion of development projects primarily in its core markets. We are currently seeking to acquire and develop assets primarily in the following six core coastal metropolitan areas: Boston, New York, Washington DC, Southern California, San Francisco and Seattle. We also have investments (in the aggregate about 11.9% of our NOI at December 31, 2013) in the two core markets of South Florida and Denver but do not currently intend to acquire or develop new assets in these markets. Further, we are in the process of exiting Phoenix and Orlando and will use sales proceeds from these markets to acquire and/or develop new assets and for other corporate purposes.

As part of its strategy, the Company purchases completed and fully occupied apartment properties, partially completed or partially occupied properties and takes options on land or acquires land on which apartment properties can be

constructed. We intend to hold a diversified portfolio of assets across our target markets. As of December 31, 2013, no single market/metropolitan area accounted for more than 18.6% of our NOI, though no guarantee can be made that NOI concentration may not increase in the future.

We endeavor to attract and retain the best employees by providing them with the education, resources and opportunities to succeed. We provide many classroom and on-line training courses to assist our employees in interacting with prospects and residents as well as extensively train our customer service specialists in maintaining our properties and improvements, equipment and appliances. We actively promote from within and many senior corporate and property leaders have risen from entry level or

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junior positions. We monitor our employees' engagement by surveying them annually and have consistently received high engagement scores.

We have a commitment to sustainability and consider the environmental impacts of our business activities. Sustainability and social responsibility are key drivers in our focus in creating the best apartment communities for residents to live, work and play. We have a dedicated in-house team that initiates and applies sustainable practices in all aspects of our business, including investment activities, development, property operations and property management activities. With its high density, multifamily housing is, by its nature, an environmentally friendly property type. Our recent acquisition and development activities have been primarily concentrated in pedestrian-friendly urban locations near public transportation. When developing and renovating our properties, we strive to reduce energy and water usage by investing in energy saving technology while positively impacting the experience of our residents and the value of our assets. We continue to implement a combination of irrigation, lighting, HVAC and renewable energy improvements at our properties that will reduce energy and water consumption. For additional information regarding our sustainability efforts, see our December 2013 Corporate Social Responsibility and Sustainability Report at our website, www.equityresidential.com.

Current Environment

On February 27, 2013, the Company, AvalonBay Communities, Inc. ("AVB") and certain of their respective subsidiaries completed their previously-announced acquisition (the "Archstone Acquisition" or the "Archstone Transaction") from Archstone Enterprise LP ("Enterprise") (which subsequently changed its name to Jupiter Enterprise LP), an affiliate of Lehman Brothers Holdings, Inc. ("Lehman") and its affiliates, of all of the assets and liabilities of Enterprise (including interests in various entities affiliated with Enterprise), constituting a portfolio of apartment properties and other assets (the "Archstone Portfolio"). As a result of the Archstone Acquisition, the Company owns assets representing approximately 60% of the Archstone Portfolio. The consideration paid by the Company in connection with the Archstone Acquisition consisted of cash in the amount of approximately \$4.0 billion (inclusive of \$2.0 billion of Archstone secured mortgage principal paid off in conjunction with the closing), 34,468,085 Common Shares (which shares had a total value of \$1.9 billion based on the acquisition date closing price of EQR's Common Shares of \$55.99 per share) and the assumption of \$3.1 billion of mortgage debt (inclusive of a net mark-to-market premium of \$127.9 million) and approximately 60% of all of the other assets and liabilities related to the Archstone Portfolio. On February 18, 2014, Lehman publicly announced that it had sold the remaining Common Shares issued by the Company as partial consideration for the portion of the Archstone Portfolio acquired by the Company.

During the year ended December 31, 2013, the Company acquired 73 consolidated properties consisting of 20,914 apartment units, one unconsolidated property consisting of 336 apartment units, three consolidated master-leased properties consisting of 853 apartment units, four projects in various stages of development (two consolidated and two unconsolidated) and 15 land parcels for \$9.1 billion. All but one of these properties and all but one of these land parcels were acquired in conjunction with the Archstone Transaction and the Company has completed the integration of these properties and their operations. We believe our access to capital, our ability to execute large, complex transactions and our ability to efficiently stabilize large scale lease up properties provide us with a competitive advantage, which was demonstrated in the Archstone Transaction. The Company currently budgets consolidated acquisitions of approximately \$500.0 million during the year ending December 31, 2014 to be funded with proceeds from dispositions (see discussion below).

The Company started construction on seven projects representing 2,213 apartment units totaling approximately \$880.9 million of development costs during the year ended December 31, 2013. The Company expects to increase its development activity as compared to the past few years and has budgeted approximately \$750.0 million of new apartment construction starts on land currently owned during each of the years ending December 31, 2014 and 2015.

We currently budget spending approximately \$575.0 million on development costs during the year ending December 31, 2014. This capital will be primarily sourced with excess operating cash flow and availability on our revolving credit facility.

The Company continues to sell non-core assets and reduce its exposure to non-core markets as we believe these assets will have lower long-term returns and we can sell them for prices that we believe are favorable. The Archstone Transaction provided an opportunity to accelerate this strategy and do so efficiently through the use of Section 1031 tax deferred exchanges. The Company sold 94 consolidated properties consisting of 29,180 apartment units, seven consolidated land parcels and one commercial building for \$4.6 billion and one unconsolidated land parcel for \$26.4 million (sales price for the unconsolidated land parcel is the gross sales price and EQR's share of the net sales proceeds approximated 25%) during the year ended December 31, 2013. These dispositions combined with reinvestment of the cash proceeds in assets with lower cap rates (see definition below) were dilutive to our earnings per share. The Company defines dilution from transactions as the lost NOI from sales proceeds that were not reinvested in other apartment properties or were reinvested in properties with a lower cap rate. The Company funded a significant portion of the cash purchase price of the Archstone Transaction with capital raised through these significant dispositions of assets. While this accelerated disposition program was dilutive to our per share results, it also significantly mitigated the execution risk

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on the Archstone Transaction. Beginning in 2014 and going forward, the Company expects a decrease in dilution due to our reduced disposition expectations and the locations of our planned dispositions. The Company currently budgets consolidated dispositions of approximately \$500.0 million during the year ending December 31, 2014.

As a result of the Archstone Transaction and the property sales to help finance the transaction, the Company's portfolio has changed significantly from the portfolio summary included in the Company's annual report on Form 10-K for the year ended December 31, 2012. The following table sets forth certain information by market relating to the Company's properties at December 31, 2013 as compared to December 31, 2012:

Markets/Metro areas	Portfolio Summary as of December 31, 2012				Portfolio Summary as of December 31, 2013			
	Properties	Apartment Units	% of Stabilized NOI (1)	Average Rental Rate (3)	Properties	Apartment Units	% of Stabilized NOI (2)	Average Rental Rate (3)
Core:								
Washington DC	43	14,425	15.9	% \$1,992	56	18,275	18.6	% \$2,223
New York	30	8,047	13.9	% 3,433	38	10,330	17.0	% 3,727
San Francisco	40	9,094	8.6	% 1,902	51	13,210	13.2	% 2,227
Los Angeles	48	9,815	9.9	% 1,879	57	11,960	11.3	% 2,064
Boston	26	5,832	8.2	% 2,560	34	7,816	10.3	% 2,802
South Florida	36	12,253	9.0	% 1,463	35	11,462	7.4	% 1,547
Seattle	38	7,563	6.4	% 1,627	38	7,734	6.4	% 1,778
Denver	24	8,144	5.5	% 1,226	19	6,935	4.5	% 1,321
San Diego	14	4,963	5.0	% 1,851	13	3,505	3.2	% 1,906
Orange County, CA	11	3,490	3.3	% 1,660	11	3,490	3.0	% 1,723
Subtotal – Core	310	83,626	85.7	% 1,941	352	94,717	94.9	% 2,202
Non-Core:								
Inland Empire, CA	10	3,081	2.4	% 1,491	10	3,081	2.2	% 1,514
Orlando	21	6,413	3.5	% 1,086	10	3,383	1.7	% 1,130
New England (excluding Boston)	14	2,611	1.3	% 1,174	11	1,965	0.8	% 1,212
Phoenix	25	7,400	3.4	% 946	4	1,260	0.4	% 952
Atlanta	12	3,616	2.0	% 1,157	1	336	0.0	% 1,301
Jacksonville	6	2,117	1.1	% 1,005	—	—	—	—
Tacoma, WA	3	1,467	0.6	% 951	—	—	—	—
Subtotal – Non-Core	91	26,705	14.3	% 1,099	36	10,025	5.1	% 1,248
Total	401	110,331	100.0	% 1,737	388	104,742	100.0	% 2,110
Military Housing	2	5,039	—	—	2	5,113	—	—
Grand Total	403	115,370	100.0	% \$1,737	390	109,855	100.0	% \$2,110

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

(1) % of Stabilized NOI for the 12/31/12 Portfolio Summary includes budgeted 2013 NOI for stabilized properties, budgeted year one (March 2013 to February 2014) NOI for the Archstone properties and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

(2) % of Stabilized NOI for the 12/31/13 Portfolio Summary includes budgeted 2014 NOI for stabilized properties (including the Archstone properties) and projected annual NOI at stabilization (defined as having achieved 90% occupancy for three consecutive months) for properties that are in lease-up.

- (3) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartment units for the last month of the period presented.

We currently have access to multiple sources of capital including the equity markets as well as both the secured and unsecured debt markets. In April 2013, the Company completed a \$500.0 million unsecured ten year note offering with a coupon of 3.00% and an all-in effective interest rate of approximately 4.0% including the effect of fees and the termination of certain interest rate hedges. In February 2013, the Company issued 34,468,085 Common Shares with a value of \$1.9 billion based on the February 27, 2013 closing price of EQR Common Shares of \$55.99 per share to an affiliate of Lehman Brothers Holdings Inc. as partial consideration for the acquisition of the Archstone Portfolio. In December 2012, the Company raised \$1.2 billion in equity in a public offering of 21,850,000 Common Shares priced at \$54.75 per share. On January 11, 2013, the Company replaced its existing \$1.75 billion credit facility with a \$2.5 billion unsecured revolving credit facility maturing April 1, 2018. The Company believes that the new facility, provided by a diversified and strong bank group, increases its balance sheet flexibility going forward. On January 11, 2013, the Company also entered into a senior unsecured \$750.0 million delayed draw term loan facility which was

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fully drawn on February 27, 2013 in connection with the Archstone Acquisition.

In October 2013, the Company used cash on hand from dispositions to repay \$963.5 million outstanding of 5.883% mortgage debt assumed as part of the Archstone Transaction prior to the November 1, 2014 maturity date. Also in October 2013, the Company closed a new \$800.0 million mortgage loan from a large insurance company which matures on November 10, 2023, is interest only and carries a fixed interest rate of 4.21%. The Company used the loan proceeds from this new loan to simultaneously repay \$825.0 million of a \$1.27 billion mortgage loan assumed as part of the Archstone Transaction. The approximately \$440.0 million balance will remain outstanding, continue to mature in November 2017 and continue to carry a fixed interest rate of 6.256%. In conjunction with the early debt extinguishment activity discussed above, the Company incurred cash prepayment costs of approximately \$151.0 million and a net charge to earnings of approximately \$42.9 million after consideration of the write-off of the Archstone-related debt premium. The Company believes it has obtained favorable interest terms on this long term debt and has substantially extended the duration of its debt maturities as well as reduced its 2014 and 2017 maturities as a percentage of outstanding debt.

We believe that cash and cash equivalents, securities readily convertible to cash, current availability on our revolving credit facility and disposition proceeds for 2014 will provide sufficient liquidity to meet our funding obligations relating to asset acquisitions, debt maturities and existing development projects through 2014. We expect that our remaining longer-term funding requirements will be met through some combination of new borrowings, equity issuances, property dispositions, joint ventures and cash generated from operations.

There is significant uncertainty surrounding the futures of Fannie Mae and Freddie Mac (the "Government Sponsored Enterprises" or "GSEs") and recent changes in leadership of the GSEs' regulator has heightened this uncertainty. Through their lender originator networks, the GSEs are significant lenders both to the Company and to buyers of the Company's properties. The GSEs have a mandate to support multifamily housing through their financing activities. Any changes to their mandates, further reductions in their size or the scale of their activities or loss of key personnel could have a significant impact on the Company and may, among other things, lead to lower values for our assets and higher interest rates on our borrowings. During the first quarter of 2013, the regulator of the GSEs required the GSEs to decrease their 2013 multifamily lending activities by 10% compared to 2012 levels and it is not clear if further reductions will be mandated. The GSEs' regulator may require the GSEs to focus more of their lending activities on properties that the regulator deems affordable, which may or may not include the Company's assets. By selling the assets required to pay for Archstone in the first half of 2013, the Company substantially mitigated the risk that changes in GSE activity would impact its Archstone-related disposition program. Reductions in GSE activity or increases in GSE loan pricing may also provide a competitive advantage to us by making the cost of financing multifamily properties more expensive for other multifamily owners while the Company continues to have access to cheaper capital in the public and private debt and equity markets (see examples of this access discussed above). Over time, we expect that other lenders, including the commercial mortgage-backed securities market and life insurance companies, will become larger sources of debt capital to the multifamily market because multifamily properties are attractive to lenders due to their relatively stable cash flows.

We expect continued growth in revenue (anticipated 2014 same store revenue increase ranging from 3.0% to 4.0%) and NOI (anticipated 2014 same store NOI increase ranging from 3.50% to 4.75%) and are optimistic that the continued strength in fundamentals across most of our markets will produce solid performance through 2014 and beyond. These same-store assumptions include the nearly 18,500 stabilized apartment units that we acquired in the Archstone Transaction. We believe the key drivers behind the anticipated increase in revenue are base rent pricing for new residents, renewal pricing for existing residents, resident turnover and physical occupancy. For 2014, we expect average base rent growth of 3.25%, an increase in renewal rates of 4.75%, occupancy of 95.4% and turnover at 51.5%. Our largest market, Washington D.C., continues to show signs of stress as new supply and the impact of sequestration

and furloughs have dampened the metro area economy. However, as evidenced by our continued high occupancy levels, there continues to be healthy demand for apartments in Washington D.C. even in the face of declining government payrolls and procurement. As the supply peaks in 2014, we expect our Washington D.C. results to produce a 1% decline in same store revenues during 2014, which will likely reduce our expected Company-wide same store revenue growth by 1%. Despite slow growth in the overall economy and the issues noted in Washington D.C., our business continues to perform well because of the combined forces of demographics, household formations and increasing consumer preference for the flexibility of rental housing, all of which should ensure a continued strong demand for rental housing.

The Company anticipates that 2014 same store expenses will increase 2.0% to 3.0% primarily due to increases in real estate taxes, which are expected to increase 5.25%, and utilities, which are expected to increase in excess of 7.5%. The increase in real estate taxes is primarily due to rate and value increases in certain states and municipalities, reflecting those states' and municipalities' continued economic challenges and the dramatic improvement in apartment values and fundamentals as well as the continued burn off of 421a tax abatements in New York City. The increase in utilities is primarily due to a combination of increases in natural gas prices, increased consumption of gas and electric due to historically low temperatures and increases in water and sewer costs as many municipalities have antiquated systems with limited revenue for modernization. Expense growth

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in the core property level expenses (excluding real estate taxes and utilities) continues to be modest as the Company leverages the geographic locations of its new same-store portfolio and technology to lower costs, which should partially offset the increase in real estate taxes and utilities.

We believe that the Company is well-positioned as of December 31, 2013 because our properties are geographically diverse, were approximately 93.8% occupied (94.8% on a same store basis) and the long-term demographic picture is positive. We believe certain market areas, especially Washington D.C., downtown Boston and Cambridge and downtown Seattle, will see substantial near term multifamily supply yet total new supply levels for our core markets remain within historical ranges. We believe over the longer term that our core markets will absorb future supply without material marketwide disruption because of the high occupancy levels we currently experience and increasing household formations. We have seen evidence of this in Seattle as supply has been absorbed and rental rates continue to grow. We believe our strong balance sheet and ample liquidity will allow us to fund our debt maturities and development costs in the near term, and should also allow us to take advantage of investment opportunities in the future.

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

Results of Operations

In conjunction with our business objectives and operating strategy, the Company continued to invest in apartment properties located in strategically targeted markets during the years ended December 31, 2013 and December 31, 2012. In summary, we:

Year Ended December 31, 2013:

Acquired \$8.5 billion of apartment properties consisting of 73 consolidated properties and 20,914 apartment units (inclusive of eight long-term ground leases) at a weighted average cap rate (see definition below) of 4.9% and 14 consolidated land parcels for \$260.6 million, all of which we deem to be in our strategic targeted markets;

Acquired three consolidated master-leased properties consisting of 853 apartment units (inclusive of one long-term ground lease) for \$250.9 million at a weighted average cap rate of 5.6%;

Acquired two consolidated uncompleted developments for \$36.6 million;

Acquired one unconsolidated apartment property consisting of 336 apartment units for \$5.1 million at a weighted average cap rate of 5.8% and one unconsolidated land parcel for \$6.6 million;

Acquired two unconsolidated uncompleted developments for \$14.9 million;

Sold \$4.5 billion of consolidated apartment properties consisting of 94 properties and 29,180 apartment units at a weighted average cap rate of 6.0% generating an unlevered internal rate of return ("IRR"), inclusive of management costs, of 10.0% (excluding the sale of three Archstone assets), the majority of which were in exit or less desirable markets;

Sold seven consolidated land parcels and one consolidated commercial building for \$130.4 million; and

Sold one unconsolidated land parcel for \$26.4 million (sales price is the gross sales price and EQR's share of the net sales proceeds approximated 25%).

Year Ended December 31, 2012:

Acquired \$906.3 million of apartment properties consisting of nine consolidated properties and 1,896 apartment units at a weighted average cap rate (see definition below) of 4.7% and acquired six land parcels for \$141.2 million, all of which we deem to be in our strategic targeted markets; and

Sold \$1.1 billion of consolidated apartment properties consisting of 35 properties and 9,012 apartment units at a weighted average cap rate of 6.2%, the majority of which were in exit or less desirable markets. These sales, excluding two leveraged partially-owned assets sold during the third quarter, generated an unlevered IRR, inclusive of management costs, of 10.6%.

The Company's primary financial measure for evaluating each of its apartment communities is net operating income ("NOI"). NOI represents rental income less property and maintenance expense, real estate tax and insurance expense and

property management expense. 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 communities. The cap rate is generally the first year NOI yield (net of replacements) on the Company's investment. Properties that the Company owned and were stabilized (see definition below) for all of both 2013 and 2012 (the "2013

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Same Store Properties”), which represented 80,247 apartment units, impacted the Company's results of operations. Properties that the Company owned for all of both 2012 and 2011 (the “2012 Same Store Properties”), which represented 98,577 apartment units, also impacted the Company's results of operations. Both the 2013 Same Store Properties and 2012 Same Store Properties are discussed in the following paragraphs.

The following tables provide a rollforward of the apartment units included in Same Store Properties and a reconciliation of apartment units included in Same Store Properties to those included in Total Properties for the year ended December 31, 2013:

	Year Ended December 31, 2013	
	Properties	Apartment Units
Same Store Properties at December 31, 2012	359	98,577
2011 acquisitions	21	6,198
2011 acquisitions not stabilized	(1	)(95
2013 dispositions	(94	)(29,180
2013 dispositions not yet included in same store (1)	5	1,896
Lease-up properties stabilized	6	2,829
Other	—	22
Same Store Properties at December 31, 2013	296	80,247
	Year Ended December 31, 2013	
	Properties	Apartment Units
Same Store	296	80,247
Non-Same Store:		
2013 acquisitions	77	22,103
2012 acquisitions	9	1,896
2013 dispositions not yet included in same store (1)	(3	)(1,536
Lease-up properties not yet stabilized (2)	8	2,023
Other	1	9
Total Non-Same Store	92	24,495
Military Housing (not consolidated)	2	5,113
Total Properties and Apartment Units	390	109,855

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

Includes three properties containing 1,536 apartment units acquired on February 27, 2013 in conjunction with the (1) Archstone Acquisition that were subsequently sold in 2013 and two properties containing 360 apartment units in lease-up that were sold in 2013.

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

The Company's acquisition, disposition and completed development activities also impacted overall results of operations for the years ended December 31, 2013 and 2012. The impacts of these activities are discussed in greater detail in the following paragraphs.

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Comparison of the year ended December 31, 2013 to the year ended December 31, 2012

For the year ended December 31, 2013, the Company reported diluted earnings per share of \$5.16 compared to \$2.70 per share for the year ended December 31, 2012. The difference is primarily due to higher gains from property sales in 2013 vs. 2012 and higher total property net operating income driven by the positive impact of the Company's same store and stabilized Archstone properties, partially offset by \$73.9 million of merger-related expenses incurred in connection with the Archstone Acquisition, \$121.7 million of costs incurred in connection with early debt extinguishment of existing mortgage notes payable to manage the Company's post Archstone 2017 maturities profile, higher depreciation as a direct result of the Archstone Transaction, the issuance of Common Shares to the public in December 2012 and to an affiliate of Lehman Brothers Holdings Inc. in February 2013 as partial consideration for the Archstone Acquisition and the Company's recognition of \$150.0 million in Archstone-related termination fees in 2012.

For the year ended December 31, 2013, loss from continuing operations increased approximately \$328.5 million when compared to the year ended December 31, 2012. The decrease in continuing operations is discussed below.

Revenues from the 2013 Same Store Properties increased \$76.0 million primarily as a result of an increase in average rental rates charged to residents, slightly higher occupancy and a decrease in turnover. Expenses from the 2013 Same Store Properties increased \$20.2 million primarily due to increases in real estate taxes, utilities and repairs and maintenance costs, partially offset by lower property management costs. The following tables provide comparative same store results and statistics for the 2013 Same Store Properties:

2013 vs. 2012

Same Store Results/Statistics for 80,247 Same Store Apartment Units

\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics			
	Revenues	Expenses	NOI	Average Rental Rate (1)	Occupancy	Turnover	
2013	\$1,769,280	\$607,243	\$1,162,037	\$1,926	95.4	%	55.6 %
2012	\$1,693,239	\$587,037	\$1,106,202	\$1,846	95.3	%	56.3 %
Change	\$76,041	\$20,206	\$55,835	\$80	0.1	%	(0.7 %)
Change	4.5	% 3.4	% 5.0	% 4.3	%		

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

The following table provides comparative same store operating expenses for the 2013 Same Store Properties:

2013 vs. 2012

Same Store Operating Expenses for 80,247 Same Store Apartment Units

\$ in thousands

	Actual		\$ Change	% Change	% of Actual 2013 Operating Expenses	
	2013	2012				
Real estate taxes	\$200,315	\$185,646	\$14,669	7.9	%	33.0 %
On-site payroll (1)	129,543	127,198	2,345	1.8	%	21.3 %

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Utilities (2)	89,941	86,326	3,615	4.2	%	14.8	%
Repairs and maintenance (3)	82,280	78,729	3,551	4.5	%	13.6	%
Property management costs (4)	58,386	63,496	(5,110)	(8.0)	%)	9.6	%
Insurance	19,585	18,427	1,158	6.3	%	3.2	%
Leasing and advertising	9,486	9,225	261	2.8	%	1.6	%
Other on-site operating expenses (5)	17,707	17,990	(283)	(1.6)	%)	2.9	%
Same store operating expenses	\$607,243	\$587,037	\$20,206	3.4	%	100.0	%

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- (1) On-site payroll – Includes payroll and related expenses for on-site personnel including property managers, leasing consultants and maintenance staff.
- (2) Utilities – Represents gross expenses prior to any recoveries under the Resident Utility Billing System (“RUBS”). Recoveries are reflected in rental income.
- (3) Repairs and maintenance – Includes general maintenance costs, apartment unit turnover costs including interior painting, routine landscaping, security, exterminating, fire protection, snow removal, elevator, roof and parking lot repairs and other miscellaneous building repair costs.
- (4) Property management costs – Includes payroll and related expenses for departments, or portions of departments, that directly support on-site management. These include such departments as regional and corporate property management, property accounting, human resources, training, marketing and revenue management, procurement, real estate tax, property legal services and information technology.
- (5) Other on-site operating expenses – Includes ground lease costs and administrative costs such as office supplies, telephone and data charges and association and business licensing fees.

The following table presents a reconciliation of operating income per the consolidated statements of operations and comprehensive income to NOI for the 2013 Same Store Properties:

	Year Ended December 31,	
	2013	2012
	(Amounts in thousands)	
Operating income	\$512,288	\$514,122
Adjustments:		
Non-same store operating results	(388,165)	(10,912)
Fee and asset management revenue	(9,698)	(9,573)
Fee and asset management expense	6,460	4,663
Depreciation	978,973	560,669
General and administrative	62,179	47,233
Same store NOI	\$1,162,037	\$1,106,202

For properties that the Company acquired prior to January 1, 2013 and expects to continue to own through December 31, 2014 as well as the stabilized apartment units acquired in the Archstone Acquisition, the Company anticipates the following same store results for the full year ending December 31, 2014:

2014 Same Store Assumptions

Physical occupancy	95.4%
Revenue change	3.0% to 4.0%
Expense change	2.0% to 3.0%
NOI change	3.50% to 4.75%

The Company anticipates consolidated rental acquisitions of \$500.0 million and consolidated rental dispositions of \$500.0 million and expects that acquisitions will have a 1.00% lower cap rate than dispositions for the full year ending December 31, 2014.

These 2014 assumptions are based on current expectations and are forward-looking.

Non-same store operating results increased approximately \$377.3 million and consist primarily of properties acquired in calendar years 2012 and 2013, as well as operations from the Company’s completed development properties. Although the operations of both the non-same store assets and the same store assets have been positively impacted during the year ended December 31, 2013, the non-same store assets have contributed a greater percentage of total NOI to the Company’s overall operating results primarily due to 2012 and 2013 acquisitions, increasing occupancy for

properties in lease-up and a longer ownership period in 2013 than 2012. This increase primarily resulted from:

Development and other miscellaneous properties in lease-up of \$7.2 million;

Operating properties acquired in 2013 as part of the Archstone Transaction of \$346.0 million;

Other properties acquired in 2012 and 2013 of \$23.7 million;

Newly stabilized development and other miscellaneous properties of \$5.5 million; and

Partially offset by an allocation of property management costs not included in same store results and operating activities from other miscellaneous operations.

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

Fee and asset management revenues, net of fee and asset management expenses, decreased approximately \$1.7 million or 34.1% primarily as a result of higher expenses and lower revenue earned on management of the Company's military housing ventures at Fort Lewis and McChord Air Force Base, partially offset by fees earned on management of the Company's unconsolidated development joint ventures.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses increased approximately \$2.4 million or 3.0%. This increase is primarily attributable to an increase in payroll-related costs and an increase in computer operations due to the modernization of employee technology, partially offset by the timing of legal and professional fees.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, increased approximately \$418.3 million or 74.6% primarily as a result of additional depreciation expense on properties acquired in 2013 (including the Archstone properties), development properties placed in service and capital expenditures for all properties owned, partially offset by a decrease in the amortization of furniture, fixtures and equipment that were fully depreciated. In-place residential lease intangibles are generally amortized over a six month period and can significantly elevate depreciation expense following an acquisition, especially during 2013 as a direct result of the Archstone Acquisition.

General and administrative expenses from continuing operations, which include corporate operating expenses, increased approximately \$14.9 million or 31.6% primarily due to an increase in payroll-related costs, which is largely a result of higher and accelerated long-term compensation expense for retirement eligible employees and higher compensation related to the Archstone Transaction, as well as an increase in office rent. The Company anticipates that general and administrative expenses will approximate \$50.0 million to \$52.0 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Interest and other income from continuing operations decreased \$145.9 million or 96.9% primarily due to the Company recognizing \$150.0 million in Archstone-related termination fees during the year ended December 31, 2012, partially offset by proceeds received from the sale of investment securities and technology investments during the year ended December 31, 2013. The Company anticipates that interest and other income will approximate \$0.5 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Other expenses from continuing operations decreased approximately \$12.6 million or 58.0% primarily due to the lower property pursuit costs as the Company focused on its pursuit of the Archstone Acquisition.

Merger expenses from continuing operations, which includes direct costs incurred from the Archstone Acquisition such as investment banking and legal/accounting costs, increased approximately \$14.2 million as a result of the closing of the Archstone Acquisition during the year ended December 31, 2013.

Interest expense from continuing operations, including amortization of deferred financing costs, increased approximately \$132.5 million or 27.8% primarily as a result of the following:

\$121.7 million of costs incurred on early debt extinguishments in 2013 on existing mortgage notes payable to manage the Company's post Archstone 2017 maturities profile;

Interest expense on the Company's \$750.0 million delayed draw term loan facility which was fully drawn on February 27, 2013; and

Interest expense on \$500.0 million of unsecured notes that closed in April 2013.

The above increases to interest expense were partially offset by the following:

Higher capitalized interest in 2013 (see below);

The repayment of \$253.9 million of 6.625% unsecured notes in March 2012;

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The repayment of \$221.1 million of 5.500% unsecured notes in October 2012;
The repayment of a \$543.0 million mortgage pool in March 2013;
The repayment of \$400.0 million of 5.200% unsecured notes in April 2013;
The repayment of \$963.5 million of 5.883% Pool 4 mortgage debt in October 2013; and
The partial paydown of \$825.0 million of 6.256% Pool 3 mortgage debt in October 2013.

During the year ended December 31, 2013, the Company capitalized interest costs of approximately \$47.3 million as compared to \$22.5 million for the year ended December 31, 2012. This capitalization of interest primarily relates to consolidated projects

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under development. The effective interest cost on all indebtedness for the year ended December 31, 2013 was 4.91% (excluding \$107.6 million in net debt extinguishment costs) as compared to 5.37% for the year ended December 31, 2012. The Company anticipates that interest expense from continuing operations will approximate \$449.1 million to \$461.4 million (excluding debt extinguishment costs) for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Income and other tax expense from continuing operations increased approximately \$0.7 million primarily due to increases in taxes related to land parcel sales owned by the Company's TRS as well as increases in all other taxes. The Company anticipates that income and other tax expense will approximate \$1.0 million to \$2.0 million for the year ending December 31, 2014. The above assumption is based on current expectations and is forward-looking.

Loss from investments in unconsolidated entities due to operations increased by \$4.1 million as a result of the unconsolidated joint ventures acquired as part of the Archstone Transaction.

Loss from investments in unconsolidated entities due to merger expenses, which includes indirect costs incurred from the Archstone Acquisition through the Company's joint ventures with AVB, increased primarily as a result of severance obligations and retention bonuses in connection with the Archstone Acquisition through our 60% interest in unconsolidated joint ventures.

Net gain on sales of unconsolidated entities increased due to the gain on sale of one unconsolidated land parcel during the year ended December 31, 2013 as compared to no sales during the year ended December 31, 2012.

Net gain on sales of land parcels increased approximately \$12.2 million due to the gain on sale of seven land parcels during the year ended December 31, 2013 as compared to no land sales during the year ended December 31, 2012.

Discontinued operations, net increased approximately \$1.4 billion between the periods under comparison. This increase is primarily due to higher gains on sales from dispositions during the year ended December 31, 2013 compared to the same period in 2012, partially offset by properties sold in 2013 that reflect operations for a partial period in 2013 in contrast to a full period in 2012. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Comparison of the year ended December 31, 2012 to the year ended December 31, 2011

For the year ended December 31, 2012, the Company reported diluted earnings per share of \$2.70 compared to \$2.98 per share for the year ended December 31, 2011. The difference is primarily due to higher gains from property sales in 2011 vs. 2012, partially offset by higher total property net operating income driven by the positive impact of the Company's same store and lease-up activity and the Company's recognition of \$150.0 million in termination fees related to our pursuit of Archstone.

For the year ended December 31, 2012, income from continuing operations increased approximately \$233.2 million when compared to the year ended December 31, 2011. The increase in continuing operations is discussed below.

Revenues from the 2012 Same Store Properties increased \$97.5 million primarily as a result of an increase in average rental rates charged to residents and slightly higher occupancy, partially offset by increased turnover. Expenses from the 2012 Same Store Properties increased \$11.2 million primarily due to increases in real estate taxes and insurance, partially offset by a decrease in utilities. The following tables provide comparative same store results and statistics for the 2012 Same Store Properties:

2012 vs. 2011

Same Store Results/Statistics for 98,577 Same Store Apartment Units

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\$ in thousands (except for Average Rental Rate)

Description	Results			Statistics		Occupancy	Turnover	
	Revenues	Expenses	NOI	Average Rental Rate (1)				
2012	\$1,868,918	\$649,914	\$1,219,004	\$1,658	95.4	%	58.2	%
2011	\$1,771,449	\$638,671	\$1,132,778	\$1,575	95.2	%	57.3	%
Change	\$97,469	\$11,243	\$86,226	\$83	0.2	%	0.9	%
Change	5.5	% 1.8	% 7.6	% 5.3	%			

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

The following table provides comparative same store operating expenses for the 2012 Same Store Properties:

2012 vs. 2011

Same Store Operating Expenses for 98,577 Same Store Apartment Units

\$ in thousands

	Actual 2012	Actual 2011	\$ Change	% Change	% of Actual 2012 Operating Expenses	
Real estate taxes	\$197,316	\$184,773	\$12,543	6.8	% 30.3	%
On-site payroll (1)	146,637	145,979	658	0.5	% 22.5	%
Utilities (2)	97,313	98,572	(1,259)	(1.3)	(%) 15.0	%
Repairs and maintenance (3)	88,931	89,152	(221)	(0.2)	(%) 13.7	%
Property management costs (4)	70,084	70,858	(774)	(1.1)	(%) 10.8	%
Insurance	20,629	19,257	1,372	7.1	% 3.2	%
Leasing and advertising	10,812	11,798	(986)	(8.4)	(%) 1.7	%
Other on-site operating expenses (5)	18,192	18,282	(90)	(0.5)	(%) 2.8	%
Same store operating expenses	\$649,914	\$638,671	\$11,243	1.8	% 100.0	%

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

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

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

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

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

Non-same store operating results increased approximately \$95.0 million and consist primarily of properties acquired in calendar years 2011 and 2012, as well as operations from the Company’s completed development properties. Although the operations of both the non-same store assets and the same store assets have been positively impacted during the year ended December 31, 2012, the non-same store assets have contributed a greater percentage of total NOI to the Company’s overall operating results primarily due to 2011 and 2012 acquisitions, increasing occupancy for properties in lease-up and a longer ownership period in 2012 than 2011. This increase primarily resulted from:

Development and other miscellaneous properties in lease-up of \$12.3 million;
Properties acquired in 2011 and 2012 of \$75.1 million; and
Newly stabilized development and other miscellaneous properties of \$5.9 million.

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

Fee and asset management revenues, net of fee and asset management expenses, increased approximately \$0.2 million or 3.4% primarily as a result of fees earned on management of the Company's unconsolidated development joint ventures, partially offset by lower revenues earned on management of the Company's military housing ventures at Fort Lewis and McChord Air Force Base and higher expenses.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses were consistent between the periods under comparison.

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Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, increased approximately \$54.5 million or 10.8% primarily as a result of additional depreciation expense on properties acquired in 2011 and 2012, development properties placed in service and capital expenditures for all properties owned, partially offset by a decrease in the amortization of both in-place leases and furniture, fixtures and equipment that were fully depreciated.

General and administrative expenses from continuing operations, which include corporate operating expenses, increased approximately \$3.6 million or 8.3% primarily due to an increase in payroll-related costs, which is largely a result of the acceleration of long-term compensation expense for retirement eligible employees, partially offset by a decrease in office rent.

Interest and other income from continuing operations increased approximately \$142.6 million primarily due to the Company recognizing \$150.0 million in termination fees related to our pursuit of the Archstone Acquisition during the year ended December 31, 2012, partially offset by lower interest earned on cash and cash equivalents due to lower overall cash invested during the year ended December 31, 2012 as well as forfeited deposits for terminated disposition transactions, proceeds received from the Company's final royalty participation in LRO/Rainmaker (a revenue management system) and litigation settlement proceeds that all occurred during the year ended December 31, 2011 and did not reoccur during the year ended December 31, 2012.

Other expenses from continuing operations increased approximately \$9.3 million or 74.9% primarily due to the settlement of a dispute with the owners of a land parcel, an increase in the expensing of overhead (pursuit costs write-offs) as a result of a more active focus on sourcing new development opportunities and an increase in property acquisition costs incurred in conjunction with the Company's 2012 acquisitions.

Merger expenses from continuing operations, which includes direct costs incurred from the Archstone Acquisition such as investment banking and legal/accounting costs, increased approximately \$3.9 million as the Company focused on its pursuit of the Archstone Acquisition, which closed in the first quarter of 2013.

Interest expense from continuing operations, including amortization of deferred financing costs, decreased approximately \$0.3 million or 0.1% primarily as a result of lower interest expense on mortgage notes payable due to lower balances during the year ended December 31, 2012 as compared to the same period in 2011, higher capitalized interest in 2012, the redemption of the Company's \$650.0 million of unsecured notes in August 2011 and the repayment of \$253.9 million of 6.625% unsecured notes in March 2012, partially offset by interest expense on the \$1.0 billion of unsecured notes that closed in December 2011. During the year ended December 31, 2012, the Company capitalized interest costs of approximately \$22.5 million as compared to \$9.1 million for the year ended December 31, 2011. This capitalization of interest primarily relates to consolidated projects under development. The effective interest cost on all indebtedness for the year ended December 31, 2012 was 5.37% as compared to 5.30% for the year ended December 31, 2011.

Income and other tax expense from continuing operations decreased approximately \$0.2 million or 27.2% primarily due to decreases in all other taxes.

Loss from investments in unconsolidated entities due to operations increased as a result of the start of operations at one of the Company's unconsolidated development joint ventures.

Net gain on sales of land parcels decreased approximately \$4.2 million due to the gain on sale of a land parcel located in suburban Washington, D.C. during the year ended December 31, 2011 as compared to no land sales during the year ended December 31, 2012.

Discontinued operations, net decreased approximately \$287.2 million or 28.5% between the periods under comparison. This decrease is primarily due to higher gains on sales from dispositions during the year ended December 31, 2011 compared to the same period in 2012. Properties sold in 2012 reflect operations for a partial period in 2012 in contrast to a full period in 2011. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

Liquidity and Capital Resources

For the Year Ended December 31, 2013

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

As of January 1, 2013, the Company had approximately \$612.6 million of cash and cash equivalents, its restricted
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exchange proceeds totaled \$152.2 million and it had \$1.72 billion available under its revolving credit facility (net of \$30.2 million which was restricted/dedicated to support letters of credit). After taking into effect the various transactions discussed in the following paragraphs and the net cash provided by operating activities, the Company's cash and cash equivalents balance at December 31, 2013 was approximately \$53.5 million and the amount available on its revolving credit facility was \$2.35 billion (net of \$34.9 million which was restricted/dedicated to support letters of credit and net of \$115.0 million outstanding).

During the year ended December 31, 2013, the Company generated proceeds from various transactions, which included the following:

- Disposed of 94 consolidated properties, one commercial building and seven land parcels, receiving net proceeds of approximately \$4.6 billion;
- Disposed of one unconsolidated land parcel and a portion of the Company's unconsolidated interest in German residential real estate, receiving net proceeds of \$25.5 million;
- Obtained \$750.0 million of proceeds from its senior unsecured delayed draw term loan facility that was drawn upon in connection with the Archstone Acquisition;
- Issued \$500.0 million of ten-year 3.00% fixed rate public notes, receiving net proceeds of \$495.6 million before underwriting fees and other expenses, at an all-in effective interest rate of 3.998%;
- Obtained \$800.0 million of proceeds in a secured loan pool from a large insurance company and \$102.9 million in other new mortgage financings; and
 - Issued approximately 0.7 million Common Shares related to share option exercises and ESPP purchases and received net proceeds of \$20.7 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 year ended December 31, 2013, the above proceeds were primarily utilized to:

- Acquire the Archstone Portfolio for approximately \$4.0 billion in cash (see Note 4 for details of the transaction);
- Acquire one additional rental property and one additional land parcel for approximately \$108.3 million;
- Invest \$377.4 million primarily in development projects; and
- Repay \$2.5 billion of mortgage loans and \$400.0 million of unsecured notes.

On February 27, 2013, the Company issued 34,468,085 Common Shares to an affiliate of Lehman Brothers Holdings Inc. as partial consideration for the portion of the Archstone Portfolio acquired by the Company. The shares had a total value of \$1.9 billion based on the February 27, 2013 closing price of EQR Common Shares of \$55.99 per share. Concurrent with this transaction, ERPOP issued 34,468,085 OP Units to EQR. On March 7, 2013, EQR filed a shelf registration statement relating to the resale of these shares by the selling shareholders. Lehman has since sold all of these Common Shares.

On November 28, 2012, as a partial source of funding for the Archstone Acquisition, EQR priced the issuance of 21,850,000 Common Shares at a price of \$54.75 per share for total consideration of approximately \$1.2 billion, after deducting underwriting commissions of \$35.9 million. Concurrent with this transaction, ERPOP issued 21,850,000 OP Units to EQR.

In September 2009, EQR announced the establishment of an At-The-Market ("ATM") share offering program which would allow EQR to sell up to 17.0 million Common Shares from time to time over the next three years (later increased by 5.7 million Common Shares and extended to February 2014) into the existing trading market at current market prices as well as through negotiated transactions. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds from all equity offerings to the capital of ERPOP in exchange for additional OP Units (on

a one-for-one Common Share per OP Unit basis). EQR may, but shall have no obligation to, sell Common Shares through the ATM share offering program in amounts and at times to be determined by EQR. Actual sales will depend on a variety of factors to be determined by EQR from time to time, including (among others) market conditions, the trading price of EQR's Common Shares and determinations of the appropriate sources of funding for EQR. On July 30, 2013, the Company filed a new universal shelf registration statement to replace its existing universal shelf registration statement, which expired October 15, 2013. The Board of Trustees also approved an increase to the amount of shares which be may 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. Through February 21, 2014, EQR has cumulatively issued approximately 16.7 million Common Shares at an average price of \$48.53 per share for total consideration of approximately \$809.9 million.

On June 16, 2011, the shareholders of EQR approved the Company's 2011 Share Incentive Plan, as amended (the "2011 Plan"). The 2011 Plan reserved 12,980,741 Common Shares for issuance. In conjunction with the approval of the 2011 Plan, no further awards may be granted under the 2002 Share Incentive Plan. The 2011 Plan expires on June 16, 2021. See Note 12 in the

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Notes to Consolidated Financial Statements for further discussion.

Depending on its analysis of market prices, economic conditions and other opportunities for the investment of available capital, EQR may repurchase its Common Shares pursuant to its existing share repurchase program authorized by the Board of Trustees. 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 shares. No shares were repurchased during 2013 or at any time for open market repurchases since 2008. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

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

The Company's total debt summary and debt maturity schedules as of December 31, 2013 are as follows:

Debt Summary as of December 31, 2013

(Amounts in thousands)

	Amounts (1)	% of Total	Weighted Average Rates (1)	Weighted Average Maturities (years)
Secured	\$5,174,166	48.1	% 4.23	% 8.4
Unsecured	5,592,088	51.9	% 4.91	% 4.5
Total	\$10,766,254	100.0	% 4.56	% 6.3
Fixed Rate Debt:				
Secured – Conventional	\$4,393,341	40.8	% 4.68	% 6.9
Unsecured – Public/Private	4,727,088	43.9	% 5.55	% 5.1
Fixed Rate Debt	9,120,429	84.7	% 5.09	% 5.9
Floating Rate Debt:				
Secured – Conventional	57,002	0.6	% 2.32	% 0.8
Secured – Tax Exempt	723,823	6.7	% 0.63	% 17.2
Unsecured – Public/Private	750,000	6.9	% 1.58	% 1.0
Unsecured – Revolving Credit Facility	115,000	1.1	% 1.26	% 4.3
Floating Rate Debt	1,645,825	15.3	% 1.20	% 8.5
Total	\$10,766,254	100.0	% 4.56	% 6.3

Net of the effect of any derivative instruments. Weighted average rates are for the year ended December 31, 2013 (1) and do not include \$113.6 million of write-offs of unamortized premiums related to the early repayment of \$1.8 billion in mortgage notes payable during the quarter ended December 31, 2013.

Note: The Company capitalized interest of approximately \$47.3 million and \$22.5 million during the years ended December 31, 2013 and 2012, respectively.

Table of ContentsDebt Maturity Schedule as of December 31, 2013
(Amounts in thousands)

Year	Fixed Rate (1)	Floating Rate (1)	Total	% of Total	Weighted Average Rates on Fixed Rate Debt (1)	Weighted Average Rates on Total Debt (1)	
2014	\$512,067	\$49,017	\$561,084	5.2	% 5.25	% 5.03	%
2015	420,448	750,000	(2) 1,170,448	10.9	% 6.28	% 3.13	%
2016	1,193,251	—	1,193,251	11.1	% 5.34	% 5.34	%
2017	1,346,735	456	1,347,191	12.5	% 6.16	% 6.16	%
2018	84,357	212,659	(3) 297,016	2.8	% 5.61	% 2.37	%
2019	806,639	20,766	827,405	7.7	% 5.48	% 5.35	%
2020	1,678,601	809	1,679,410	15.6	% 5.49	% 5.49	%
2021	1,195,242	856	1,196,098	11.1	% 4.63	% 4.64	%
2022	228,933	905	229,838	2.1	% 3.17	% 3.18	%
2023	1,303,079	956	1,304,035	12.1	% 3.75	% 3.75	%
2024+	297,923	674,988	972,911	9.0	% 6.25	% 2.21	%
Premium/(Discount)	53,154	(65,587)	(12,433)	(0.1)	)% N/A	N/A	
Total	\$9,120,429	\$1,645,825	\$10,766,254	100.0	% 5.20	% 4.53	%

(1) Net of the effect of any derivative instruments. Weighted average rates are as of December 31, 2013.

(2) Includes the Company's senior unsecured \$750.0 million delayed draw term loan facility that matures on January 11, 2015 and is subject to a one-year extension option exercisable by the Company.

(3) Includes \$115.0 million outstanding on the Company's unsecured revolving credit facility. As of December 31, 2013, there was approximately \$2.35 billion available on this facility.

The following table provides a summary of the Company's unsecured debt as of December 31, 2013:

Unsecured Debt Summary as of December 31, 2013
(Amounts in thousands)

	Coupon Rate	Due Date	Face Amount	Unamortized Premium/ (Discount)	Net Balance
Fixed Rate Notes:	5.250%	09/15/14	\$500,000	\$(44)	\$499,956
	6.584%	04/13/15	300,000	(138)	299,862
	5.125%	03/15/16	500,000	(117)	499,883
	5.375%	08/01/16	400,000	(479)	399,521
	5.750%	06/15/17	650,000	(1,780)	648,220
	7.125%	10/15/17	150,000	(246)	149,754
	4.750%	07/15/20	600,000	(2,976)	597,024
	4.625%	12/15/21	1,000,000	(3,016)	996,984
	3.000%	04/15/23	500,000	(4,116)	495,884
	7.570%	08/15/26	140,000	—	140,000

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			4,740,000	(12,912)	4,727,088
Floating Rate Notes:						
Delayed Draw Term Loan Facility	LIBOR+1.20%	01/11/15	(1)(2) 750,000	—		750,000
			750,000	—		750,000
Revolving Credit Facility:	LIBOR+1.05%	04/01/18	(1)(3) 115,000	—		115,000
Total Unsecured Debt			\$5,605,000	\$(12,912	)	\$5,592,088

(1)Facilities are private. All other unsecured debt is public.

On January 11, 2013, the Company entered into a senior unsecured \$750.0 million delayed draw term loan facility which was fully drawn on February 27, 2013 in connection with the Archstone Acquisition. The maturity date of (2) January 11, 2015 is subject to a one-year extension option exercisable by the Company. The interest rate on advances under the term loan facility will generally be LIBOR

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plus a spread (currently 1.20%), which is dependent on the credit rating of the Company's long-term debt.

- (3) On January 11, 2013, the Company replaced its existing \$1.75 billion facility with a \$2.5 billion unsecured revolving credit facility maturing April 1, 2018. The interest rate on advances under the new credit facility will generally be LIBOR plus a spread (currently 1.05%) and an annual facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt. As of December 31, 2013, there was approximately \$2.35 billion available on the Company's unsecured revolving credit facility.

An unspecified amount of equity and debt securities remains available for issuance by EQR and ERPOP under a universal shelf registration statement that automatically became effective upon filing with the SEC on July 30, 2013 and expires on July 30, 2016. In July 2013, the Board of Trustees also approved an increase to the amount of shares which be may offered under the ATM program to 13.0 million Common Shares and extended the program maturity to July 2016. Per the terms of ERPOP's partnership agreement, EQR contributes the net proceeds of all equity offerings to the capital of ERPOP in exchange for additional OP Units (on a one-for-one Common Share per OP Unit basis) or preference units (on a one-for-one preferred share per preference unit basis).

The Company's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2013 is presented in the following table. The Company calculates the equity component of its market capitalization as the sum of (i) the total outstanding Common Shares and assumed conversion of all Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preferred shares outstanding.

Equity Residential

Capital Structure as of December 31, 2013

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

Secured Debt			\$5,174,166	48.1	%		
Unsecured Debt			5,592,088	51.9	%		
Total Debt			10,766,254	100.0	%	35.6	%
Common Shares (includes Restricted Shares)	360,479,260	96.2			%		
Units (includes OP Units and LTIP Units)	14,180,376	3.8			%		
Total Shares and Units	374,659,636	100.0			%		
Common Share Price at December 31, 2013	\$51.87						
			19,433,595	99.7	%		
Perpetual Preferred Equity (see below)			50,000	0.3	%		
Total Equity			19,483,595	100.0	%	64.4	%
Total Market Capitalization			\$30,249,849			100.0	%

Equity Residential

Perpetual Preferred Equity as of December 31, 2013

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

Series	Redemption Date	Outstanding Shares	Liquidation Value	Annual Dividend Per Share	Annual Dividend Amount
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Preferred Shares:

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8.29% Series K	12/10/26	1,000,000	\$ 50,000	\$4.145	\$4,145
Total Perpetual Preferred Equity		1,000,000	\$ 50,000		\$4,145

On August 20, 2012, the Company redeemed its Series N Cumulative Redeemable Preferred Shares for cash consideration of \$150.0 million plus accrued dividends through the redemption date. As a result of this redemption, the Company recorded the write-off of approximately \$5.1 million in original issuance costs as a premium on the redemption of Preferred Shares.

The Operating Partnership's "Consolidated Debt-to-Total Market Capitalization Ratio" as of December 31, 2013 is presented in the following table. The Operating Partnership calculates the equity component of its market capitalization as the sum of (i) the total outstanding Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange and (ii) the liquidation value of all perpetual preference units outstanding.

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ERP Operating Limited Partnership

Capital Structure as of December 31, 2013

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

Secured Debt		\$5,174,166	48.1	%		
Unsecured Debt		5,592,088	51.9	%		
Total Debt		10,766,254	100.0	%	35.6	%
Total outstanding Units	374,659,636					
Common Share Price at December 31, 2013	\$51.87					
		19,433,595	99.7	%		
Perpetual Preference Units (see below)		50,000	0.3	%		
Total Equity		19,483,595	100.0	%	64.4	%
Total Market Capitalization		\$30,249,849			100.0	%

ERP Operating Limited Partnership

Perpetual Preference Units as of December 31, 2013

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

Series	Redemption Date	Outstanding Units	Liquidation Value	Annual Dividend Per Unit	Annual Dividend Amount
Preference Units:					
8.29% Series K	12/10/26	1,000,000	\$50,000	\$4.145	\$4,145
Total Perpetual Preference Units		1,000,000	\$50,000		\$4,145

On August 20, 2012, the Operating Partnership redeemed its Series N Cumulative Redeemable Preference Units for cash consideration of \$150.0 million plus accrued dividends through the redemption date, in conjunction with the concurrent redemption of the corresponding Company Preferred Shares. As a result of this redemption, the Operating Partnership recorded the write-off of approximately \$5.1 million in original issuance costs as a premium on the redemption of Preference Units.

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. Under normal operating conditions, the Company considers its cash provided by operating activities to be adequate to meet operating requirements and payments of distributions.

The Company has a flexible dividend policy which it believes will generate payouts closely aligned with the actual annual operating results of the Company's core business and provide transparency to investors. During the year ended December 31, 2013, the Company paid \$0.40 per share for each of the first three quarters and \$0.65 per share for the fourth quarter to bring the total payment for the year (an annual rate of \$1.85 per share) to approximately 65% of Normalized FFO. Beginning in 2014, the Company's annual dividend will be paid based on 65% of the midpoint of the range of Normalized FFO guidance customarily provided as part of the Company's fourth quarter earnings release. The Company expects the annual dividend payout will be \$2.00 per share and the Company intends to pay four quarterly dividends of \$0.50 per share in 2014. All future dividends remain subject to the discretion of the Board of Trustees. The above assumption is based on current expectations and is forward-looking. While our current dividend policy makes it less likely we will over distribute, it will also lead to a dividend reduction more quickly should operating results deteriorate. However, whether due to changes in the dividend policy or otherwise, there may be times when the Company experiences shortfalls in its coverage of distributions, which may cause the Company to consider reducing its distributions and/or using the proceeds from property dispositions or additional financing

transactions to make up the difference. Should these shortfalls occur for lengthy periods of time or be material in nature, the Company's financial condition may be adversely affected and it may not be able to maintain its current distribution levels. The Company believes that its expected 2014 operating cash flow will be sufficient to cover capital expenditures and distributions.

The Company also expects to meet its long-term liquidity requirements, such as scheduled unsecured note and mortgage debt maturities, property acquisitions, financing of construction and development activities through the issuance of secured and unsecured debt and equity securities, including additional OP Units, proceeds received from the disposition of certain properties and joint ventures and cash generated from operations after all distributions. In addition, the Company has significant unencumbered properties available to secure additional mortgage borrowings in the event that the public capital markets are unavailable or the cost of alternative sources of capital is too high. The fair value of and cash flow from these unencumbered properties are in excess of the requirements the Company must maintain in order to comply with covenants under its unsecured notes and line of credit. Of the \$26.8 billion in investment in real estate on the Company's balance sheet at December 31, 2013, \$18.0 billion or 67.0% was

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unencumbered. However, there can be no assurances that these sources of capital will be available to the Company in the future on acceptable terms or otherwise.

ERPOP's credit ratings from Standard & Poor's ("S&P"), Moody's and Fitch for its outstanding senior debt are BBB+, Baa1 and BBB+, respectively. EQR's equity ratings from S&P, Moody's and Fitch for its outstanding preferred equity are BBB+, Baa2 and BBB-, respectively.

The Archstone Transaction, related financing activities and property sales adversely impacted our unsecured public debt covenants during the year ended December 31, 2013. However, certain debt repayment and refinancing activities during the quarter ended December 31, 2013 resulted in unsecured public debt covenants that are more consistent with those as of December 31, 2012. See the following table for a comparison of these covenants at December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012	
Total Debt to Adjusted Total Assets (not to exceed 60%)	40.0	% 38.6	%
Secured Debt to Adjusted Total Assets (not to exceed 40%)	19.2	% 17.6	%
Consolidated Income Available for Debt Service to Maximum Annual Service Charges (must be at least 1.5 to 1)	3.07	3.00	
Total Unsecured Assets to Unsecured Debt (must be at least 150%)	326.9	% 346.3	%

In July 2011, the Company replaced its then existing unsecured revolving credit facility with a new \$1.25 billion unsecured revolving credit facility maturing on July 13, 2014, subject to a one-year extension option exercisable by the Company. The interest rate on advances under the credit facility was generally LIBOR plus a spread (1.15%) and the Company paid an annual facility fee of 0.2%. Both the spread and the facility fee were dependent on the credit rating of the Company's long term debt. Effective January 6, 2012, the Company amended this facility to increase available borrowings by \$500.0 million to \$1.75 billion. The terms did not change, including the July 13, 2014 maturity date.

On January 11, 2013, the Company replaced its existing \$1.75 billion facility with a \$2.5 billion unsecured revolving credit facility maturing April 1, 2018. The Company has the ability to increase available borrowings by an additional \$500.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The interest rate on advances under the facility will generally be LIBOR plus a spread (currently 1.05%) and the Company pays an annual facility fee (currently 15 basis points). Both the spread and the facility fee are dependent on the credit rating of the Company's long-term debt. As of February 21, 2014, there was available borrowings of \$2.1 billion (net of \$34.9 million which was restricted/dedicated to support letters of credit and net of \$360.0 million outstanding) on the revolving credit facility. This facility may, among other potential uses, be used to fund property acquisitions, costs for certain properties under development and short-term liquidity requirements.

On January 11, 2013, the Company also entered into a new senior unsecured \$750.0 million delayed draw term loan facility which was fully drawn on February 27, 2013 in connection with the Archstone Acquisition. The maturity date of January 11, 2015 is subject to a one-year extension option exercisable by the Company. The interest rate on advances under the new term loan facility will generally be LIBOR plus a spread (currently 1.20%), which is dependent on the credit rating of the Company's long-term debt.

See Note 18 in the Notes to Consolidated Financial Statements for discussion of the events which occurred subsequent to December 31, 2013.

Capitalization of Fixed Assets and Improvements to Real Estate

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

Replacements (inside the apartment unit). These include:

• flooring such as carpets, hardwood, vinyl or tile;

• appliances;

• mechanical equipment such as individual furnace/air units, hot water heaters, etc;

• furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors,

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countertops, etc; and
blinds.

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

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

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

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

For the year ended December 31, 2013, our actual improvements to real estate totaled approximately \$135.8 million.

This includes the following (amounts in thousands except for apartment unit and per apartment unit amounts):

Capital Expenditures to Real Estate

For the Year Ended December 31, 2013

	Total Apartment Units (1)	Replacements (2)	Avg. Per Apartment Unit	Building Improvements	Avg. Per Apartment Unit	Total	Avg. Per Apartment Unit
Same Store Properties (3)	80,247	\$45,184	\$563	\$49,308	\$615	\$94,492	\$1,178
Non-Same Store Properties (4)	22,826	16,668	855	19,246	988	35,914	1,843
Other (5)	—	3,197		2,213		5,410	
Total	103,073	\$65,049		\$70,767		\$135,816	

Total Apartment Units – Excludes 1,669 unconsolidated apartment units and 5,113 military housing apartment units (1) for which repairs and maintenance expenses and capital expenditures to real estate are self-funded and do not consolidate into the Company's results.

Replacements – Includes new expenditures inside the apartment units such as appliances, mechanical equipment, fixtures and flooring, including carpeting. Replacements for same store properties also include \$19.5 million spent in 2013 on apartment unit renovations/rehabs (primarily kitchens and baths) on 2,560 same store apartment units (2) (equating to about \$7,600 per apartment unit rehabbed) designed to reposition these assets for higher rental levels in their respective markets. The Company also completed apartment unit renovations/rehabs (primarily kitchens and baths) on 1,200 non-same store apartment units (primarily Archstone properties), equating to a total cost of approximately \$11.9 million.

(3) Same Store Properties – Primarily includes all properties acquired or completed and stabilized prior to January 1, 2012, less properties subsequently sold.

Non-Same Store Properties – Primarily includes all properties acquired during 2012 and 2013, plus any properties in (4) lease-up and not stabilized as of January 1, 2012. Per apartment unit amounts are based on a weighted average of 19,493 apartment units. Includes approximately ten months of activity for the Archstone properties.

(5) Other – Primarily includes expenditures for properties sold during the period.

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For the year ended December 31, 2012, our actual improvements to real estate totaled approximately \$152.8 million. This includes the following (amounts in thousands except for apartment unit and per apartment unit amounts):

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Table of ContentsCapital Expenditures to Real Estate
For the Year Ended December 31, 2012

	Total Apartment Units (1)	Replacements (2)	Avg. Per Apartment Unit	Building Improvements	Avg. Per Apartment Unit	Total	Avg. Per Apartment Unit
Same Store Properties (3)	98,577	\$65,490	\$664	\$55,097	\$559	\$120,587	\$1,223
Non-Same Store Properties (4)	11,754	7,599	706	21,788	2,026	29,387	2,732
Other (5)	—	1,723		1,131		2,854	
Total	110,331	\$74,812		\$78,016		\$152,828	

(1) Total Apartment Units – Excludes 5,039 military housing apartment units for which repairs and maintenance expenses and capital expenditures to real estate are self-funded and do not consolidate into the Company's results.

(2) Replacements – Includes new expenditures inside the apartment units such as appliances, mechanical equipment, fixtures and flooring, including carpeting. Replacements for same store properties also include \$33.0 million spent in 2012 on apartment unit renovations/rehabs (primarily kitchens and baths) on 4,427 apartment units (equating to about \$7,500 per apartment unit rehabbed) designed to reposition these assets for higher rental levels in their respective markets.

(3) Same Store Properties – Primarily includes all properties acquired or completed and stabilized prior to January 1, 2011, less properties subsequently sold.

(4) Non-Same Store Properties – Primarily includes all properties acquired during 2011 and 2012, plus any properties in lease-up and not stabilized as of January 1, 2011. Per apartment unit amounts are based on a weighted average of 10,754 apartment units.

(5) Other – Primarily includes expenditures for properties sold during the period.

For 2014, the Company estimates that it will spend approximately \$1,700 per apartment unit of capital expenditures, inclusive of apartment unit renovation/rehab costs, or \$1,250 per apartment unit excluding apartment unit renovation/rehab costs. In 2014, the Company expects to spend approximately \$45.0 million for all unit renovation/rehab costs (primarily on same store properties) at a weighted average cost of \$8,500 per apartment unit rehabbed. The anticipated increased capital expenditure cost per unit over 2013 is primarily driven by increases in building improvement costs (i.e. roofs, mechanical systems and siding) for the Archstone assets as well as certain large building improvement projects the Company had planned to complete in 2013 but will not finalize until 2014. The Company is also accelerating its rehab/renovation efforts in 2014 with plans to continue to create value from our properties by doing those rehabs that meet our investment parameters. The above assumptions are based on current expectations and are forward-looking.

During the year ended December 31, 2013, 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 \$4.1 million. The Company expects to fund approximately \$2.7 million in total additions to non-real estate property in 2014. The above assumption is based on current expectations and is forward-looking.

Improvements to real estate and additions to non-real estate property are generally funded from net cash provided by operating activities and from investment cash flow.

Derivative Instruments

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company seeks to manage these risks by following established risk management policies and procedures including the use of derivatives to hedge interest rate risk on debt instruments. The Company may also use derivatives to manage its exposure to

foreign exchange rates or manage commodity prices in the daily operations of the business.

The Company has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, the Company has not sustained a material loss from these instruments nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives it currently has in place.

See Note 9 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at December 31, 2013.

Other

Total distributions paid in January 2014 amounted to \$243.5 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the fourth quarter ended December 31, 2013.

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Off-Balance Sheet Arrangements and Contractual Obligations

Archstone Acquisition

On February 27, 2013, in conjunction with the Archstone Acquisition, the Company acquired unconsolidated interests in several joint ventures. The Company does not believe that these investments have a materially different impact upon its liquidity, cash flows, capital resources, credit or market risk than its other consolidated operating and/or development activities. Details of these interests follow by project:

San Norterra – This venture developed certain land parcels into a 388 unit apartment building located in Phoenix, Arizona. The Company has an 85% equity interest with an initial basis of \$16.9 million. Total project costs are approximately \$56.3 million and construction was partially funded with a construction loan that is guaranteed by the partner and non-recourse to the Company. The loan has a maximum debt commitment of \$34.8 million and a current unconsolidated outstanding balance of \$33.0 million; the loan bears interest at LIBOR plus 2.00% and matures January 6, 2015. The partner is the managing member and developed the project. 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.

Waterton Tenside – 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 \$30.6 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.

Parkside at Emeryville – This venture is currently developing certain land parcels into a 176 unit apartment building located in Emeryville, California. The Company has a 5% equity interest with an initial obligation of approximately \$2.1 million. Total project costs are expected to be approximately \$75.0 million and construction is being partially funded with a construction loan. The loan has a maximum debt commitment of \$39.5 million and a current unconsolidated outstanding balance of \$11.4 million; the loan bears interest at LIBOR plus 2.25% and matures August 14, 2015. The Company has given a repayment guaranty on the construction loan of 50% of the outstanding balance, up to a maximum of \$19.7 million, and has given certain construction cost overrun guarantees. The partner is the managing member and is developing the project. 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.

On February 27, 2013, in connection with the Archstone Acquisition, 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 that are held for sale, such as interests in a German portfolio of apartment buildings, and succeeded to certain residual Archstone liabilities, such as liability for various employment-related matters. The Residual JV is owned 60% by the Company and 40% by AVB and the Company's initial investment was \$113.6 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 recorded using the equity method of accounting.

On February 27, 2013, in connection with the Archstone Acquisition, a subsidiary of the Company and AVB entered into a limited liability company agreement (the “Legacy JV”), through which they assumed obligations of Archstone in the form of preferred interests, some of which are governed by tax protection arrangements. During the year ended

December 31, 2013, the Company purchased with AVB \$65.0 million (of which the Company's 60% share was \$39.0 million) of the preferred interests assumed by Legacy JV. At December 31, 2013, the remaining preferred interests have an aggregate liquidation value of \$89.0 million, our share of which is included in other liabilities in the accompanying consolidated balance sheets. Obligations of the Legacy JV are borne 60% by the Company and 40% by AVB. The Legacy 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 Legacy JV is unconsolidated and recorded using the equity method of accounting.

Other

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 both of these entities. These projects are now unconsolidated. Details of these projects follow:

• Nexus Sawgrass – This development project was substantially completed as of September 30, 2013. Total project costs

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are expected to be approximately \$80.0 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$48.7 million and a current unconsolidated outstanding balance of \$47.6 million; the loan bears interest at 5.60% and matures January 1, 2021.

Domain – This development project was substantially completed as of December 31, 2013. Total project costs are expected to be approximately \$154.6 million and construction was predominantly funded with a long-term, non-recourse secured loan from the partner. The mortgage loan has a maximum debt commitment of \$98.6 million and a current unconsolidated outstanding balance of \$91.6 million; the loan 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 has 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. The Company's strategy with respect to these ventures was to reduce its financial risk related to the development of the properties. However, management does not believe that these investments have a materially different impact upon the Company's liquidity, cash flows, capital resources, credit or market risk than its other consolidated development activities.

As of December 31, 2013, the Company has 14 consolidated projects (including 400 Park Avenue South in New York City which the Company is jointly developing with Toll Brothers and Park Aire in which the Company acquired a 95% interest in connection with the Archstone Transaction – see Note 16 in the Notes to Consolidated Financial Statements for further discussion) totaling 4,017 apartment units and one unconsolidated project totaling 176 apartment units in various stages of development with estimated completion dates ranging through June 30, 2016, as well as other completed development projects that are in various stages of lease up or are stabilized. The development agreements currently in place are discussed in detail in Note 16 of the Company's Consolidated Financial Statements. See also Notes 2 and 6 in the Notes to Consolidated Financial Statements for additional discussion regarding the Company's investments in partially owned entities.

The following table summarizes the Company's contractual obligations for the next five years and thereafter as of December 31, 2013:

Payments Due by Year (in thousands)

Contractual Obligations	2014	2015	2016	2017	2018	Thereafter	Total
Debt:							
Principal (a)	\$561,084	\$1,170,448	\$1,193,251	\$1,347,191	\$297,016	\$6,197,264	\$10,766,254
Interest (b)	467,503	429,935	380,210	330,047	293,614	851,508	2,752,817
Operating Leases:							
Minimum Rent Payments (c)	14,518	14,935	15,084	14,961	14,830	869,687	944,015
Other Long-Term Liabilities:							
Deferred Compensation (d)	1,378	1,705	1,705	1,705	1,705	5,596	13,794
Total	\$1,044,483	\$1,617,023	\$1,590,250	\$1,693,904	\$607,165	\$7,924,055	\$14,476,880

(a) Amounts include aggregate principal payments only.

(b) Amounts include interest expected to be incurred on the Company's secured and unsecured debt based on obligations outstanding at December 31, 2013 and inclusive of capitalized interest. For floating rate debt, the current rate in effect for the most recent payment through December 31, 2013 is assumed to be in effect through

the respective maturity date of each instrument.

- (c) Minimum basic rent due for various office space the Company leases and fixed base rent due on ground leases for 14 properties/parcels.
- (d) Estimated payments to the Company's Chairman, Vice Chairman and one former CEO based on actual and planned retirement dates.

Critical Accounting Policies and Estimates

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

The Company's significant accounting policies are described in Note 2 in the Notes to Consolidated Financial Statements. These policies were followed in preparing the consolidated financial statements at and for the year ended December 31, 2013 and are consistent with the year ended December 31, 2012.

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

Acquisition of Investment Properties

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

Impairment of Long-Lived Assets

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

Depreciation of Investment in Real Estate

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

Cost Capitalization

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

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

During the years ended December 31, 2013, 2012 and 2011, the Company capitalized \$16.5 million, \$14.3 million and \$11.6 million, respectively, of payroll and associated costs of employees directly responsible for and who spend their time on the execution and supervision of development activities as well as major capital and/or renovation projects.

Fair Value of Financial Instruments, Including Derivative Instruments

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

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Funds From Operations and Normalized Funds From Operations

For the year ended December 31, 2013, Funds From Operations (“FFO”) available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units decreased \$120.8 million, or 12.2%, and increased \$173.8 million, or 19.7%, respectively, as compared to the year ended December 31, 2012. For the year ended December 31, 2012, FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units increased \$241.1 million, or 32.0%, and \$123.6 million, or 16.3%, respectively, as compared to the year ended December 31, 2011.

The following is the Company's and the Operating Partnership's reconciliation of net income to FFO available to Common Shares and Units / Units and Normalized FFO available to Common Shares and Units / Units for each of the five years ended December 31, 2013:

Funds From Operations and Normalized Funds From Operations

(Amounts in thousands)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Net income	\$ 1,905,353	\$ 881,204	\$ 935,197	\$ 295,983	\$ 382,029
Net (income) loss attributable to Noncontrolling Interests:					
Preference Interests and Units	—	—	—	—	(9)
Partially Owned Properties	538	(844)	(832)	726	558
Preferred/preference distributions	(4,145)	(10,355)	(13,865)	(14,368)	(14,479)
Premium on redemption of Preferred Shares/Preference Units	—	(5,152)	—	—	—
Net income available to Common Shares and Units / Units	1,901,746	864,853	920,500	282,341	368,099
Adjustments:					
Depreciation	978,973	560,669	506,175	470,593	385,293
Depreciation – Non-real estate additions	(4,806)	(5,346)	(5,519)	(6,566)	(7,122)
Depreciation – Partially Owned and Unconsolidated Properties	(2,838)	(3,193)	(3,062)	(1,619)	759
Net (gain) on sales of unconsolidated entities	(7)	—	—	(28,101)	(10,689)
Discontinued operations:					
Depreciation	34,380	124,323	157,353	202,588	214,849
Net (gain) on sales of discontinued operations	(2,036,505)	(548,278)	(826,489)	(297,956)	(335,299)
Net incremental gain (loss) on sales of condominium units	8	(11)	1,993	1,506	(385)
Gain on sale of Equity Corporate Housing (ECH)	1,470	200	1,202	—	—
FFO available to Common Shares and Units / Units (1) (3) (4)	872,421	993,217	752,153	622,786	615,505
Adjustments:					
Asset impairment and valuation allowances	—	—	—	45,380	11,124
Property acquisition costs and write-off of pursuit costs	79,365	21,649	14,557	11,928	6,488
Debt extinguishment (gains) losses, including prepayment penalties, preferred share/					

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preference unit redemptions and non-cash convertible debt discounts	121,730	16,293	12,300	8,594	34,333
(Gains) losses on sales of non-operating assets, net of income and other tax expense (benefit)	(17,908)	(255)	(6,976)	(80)	(5,737)
Other miscellaneous non-comparable items	1,465	(147,635)	(12,369)	(6,186)	(171)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$ 1,057,073	\$ 883,269	\$ 759,665	\$ 682,422	\$ 661,542
FFO (1) (3)	\$ 876,566	\$ 1,008,724	\$ 766,018	\$ 637,154	\$ 629,984
Preferred/preference distributions	(4,145)	(10,355)	(13,865)	(14,368)	(14,479)
Premium on redemption of Preferred Shares/Preference Units	—	(5,152)	—	—	—
FFO available to Common Shares and Units / Units (1) (3) (4)	\$ 872,421	\$ 993,217	\$ 752,153	\$ 622,786	\$ 615,505
Normalized FFO (2) (3)	\$ 1,061,218	\$ 893,624	\$ 773,530	\$ 696,790	\$ 676,021
Preferred/preference distributions	(4,145)	(10,355)	(13,865)	(14,368)	(14,479)
Normalized FFO available to Common Shares and Units / Units (2) (3) (4)	\$ 1,057,073	\$ 883,269	\$ 759,665	\$ 682,422	\$ 661,542

The National Association of Real Estate Investment Trusts (“NAREIT”) defines funds from operations (“FFO”) (April 2002 White Paper) as net income (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales and impairment write-downs of depreciable operating properties, plus depreciation and amortization, and after

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adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The April 2002 White Paper states that gain or loss on sales of property is excluded from FFO for previously depreciated operating properties only. Once the Company commences the conversion of apartment units to condominiums, it simultaneously discontinues depreciation of such property.

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

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

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 accounting principles generally accepted in the United States. The equity positions of various individuals and entities that contributed their properties to the Operating Partnership in exchange for OP Units are collectively referred to as the “Noncontrolling Interests – Operating Partnership”. Subject to certain restrictions, the Noncontrolling Interests – Operating Partnership may exchange their OP Units for Common Shares on a one-for-one basis.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to the Company's financial instruments result primarily from changes in short-term LIBOR interest rates and changes in the Securities Industry and Financial Markets Association ("SIFMA") index for tax-exempt debt. The Company also has foreign exchange exposure related to interests in German residential real estate that were acquired as part of the Archstone Transaction.

The Company's exposure to market risk for changes in interest rates relates primarily to the unsecured revolving and term loan facilities as well as floating rate tax-exempt debt. The Company typically incurs fixed rate debt obligations to finance acquisitions while it typically incurs floating rate debt obligations to finance working capital needs and as a temporary measure in advance of securing long-term fixed rate financing. The Company continuously evaluates its level of floating rate debt with respect to total debt and other factors, including its assessment of the current and future economic environment. To the extent the Company carries substantial cash balances, this will tend to partially counterbalance any increase or decrease in interest rates.

The Company also utilizes certain derivative financial instruments to manage market risk. Interest rate protection agreements are used to convert floating rate debt to a fixed rate basis or vice versa as well as to partially lock in rates on future debt issuances. The Company may utilize derivative financial instruments to manage foreign exchange rate risk related to interests in German residential real estate that were acquired as part of the Archstone Transaction. Derivatives are used for hedging purposes rather than speculation. The Company does not enter into financial instruments for trading purposes. See also Note 9 to the Notes to Consolidated Financial Statements for additional discussion of derivative instruments.

The fair values of the Company's financial instruments (including such items in the financial statement captions as cash and cash equivalents, other assets, accounts payable and accrued expenses and other liabilities) approximate their carrying or contract values based on their nature, terms and interest rates that approximate current market rates. The fair value of the Company's

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mortgage notes payable and unsecured debt (including its line of credit) were approximately \$5.1 billion and \$5.9 billion, respectively, at December 31, 2013.

At December 31, 2013, the Company had total outstanding floating rate debt of approximately \$1.6 billion, or 15.3% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 12 basis points (a 10% increase from the Company's existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$2.0 million. If market rates of interest on all of the floating rate debt permanently decreased by 12 basis points (a 10% decrease from the Company's existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$2.0 million.

At December 31, 2013, the Company had total outstanding fixed rate debt of approximately \$9.1 billion, or 84.7% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 51 basis points (a 10% increase from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$8.3 billion. If market rates of interest permanently decreased by 51 basis points (a 10% decrease from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$10.1 billion.

At December 31, 2013, the Company's derivative instruments had a net asset fair value of approximately \$18.7 million. If market rates of interest permanently increased by 33 basis points (a 10% increase from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$28.0 million. If market rates of interest permanently decreased by 33 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net asset fair value of the Company's derivative instruments would be approximately \$9.4 million.

At December 31, 2012, the Company had total outstanding floating rate debt of approximately \$0.7 billion, or 8.0% of total debt, net of the effects of any derivative instruments. If market rates of interest on all of the floating rate debt permanently increased by 14 basis points (a 10% increase from the Company's existing weighted average interest rates), the increase in interest expense on the floating rate debt would decrease future earnings and cash flows by approximately \$0.9 million. If market rates of interest on all of the floating rate debt permanently decreased by 14 basis points (a 10% decrease from the Company's existing weighted average interest rates), the decrease in interest expense on the floating rate debt would increase future earnings and cash flows by approximately \$0.9 million.

At December 31, 2012, the Company had total outstanding fixed rate debt of approximately \$7.8 billion, or 92.0% of total debt, net of the effects of any derivative instruments. If market rates of interest permanently increased by 56 basis points (a 10% increase from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$7.1 billion. If market rates of interest permanently decreased by 56 basis points (a 10% decrease from the Company's existing weighted average interest rates), the estimated fair value of the Company's fixed rate debt would be approximately \$8.7 billion.

At December 31, 2012, the Company's derivative instruments had a net liability fair value of approximately \$42.5 million. If market rates of interest permanently increased by 4 basis points (a 10% increase from the Company's existing weighted average interest rates), the net liability fair value of the Company's derivative instruments would be approximately \$40.9 million. If market rates of interest permanently decreased by 4 basis points (a 10% decrease from the Company's existing weighted average interest rates), the net liability fair value of the Company's derivative instruments would be approximately \$44.2 million.

These amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. The foregoing assumptions apply to the entire amount of the Company's debt and derivative instruments and do not differentiate among maturities. These analyses do not consider the effects of the changes in overall economic activity that could exist in such an environment. Further, in the event of changes of such magnitude, management would likely take actions to further mitigate its exposure to the changes. However, due to the uncertainty

of the specific actions that would be taken and their possible effects, this analysis assumes no changes in the Company's financial structure or results.

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Equity Residential

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of December 31, 2013, 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) Management's Report on Internal Control over Financial Reporting:

Equity Residential's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework).

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

Based on the Company's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2013. Our internal control over financial reporting has been audited as of December 31, 2013 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to above that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ERP Operating Limited Partnership

(a) Evaluation of Disclosure Controls and Procedures:

Effective as of December 31, 2013, the Operating Partnership carried out an evaluation, under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of EQR, of the effectiveness of the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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

ERP Operating Limited Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, management conducted an evaluation of the effectiveness of

internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework).

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

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Based on the Operating Partnership's evaluation under the framework in Internal Control – Integrated Framework, management concluded that its internal control over financial reporting was effective as of December 31, 2013. Our internal control over financial reporting has been audited as of December 31, 2013 by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting:

There were no changes to the internal control over financial reporting of the Operating Partnership identified in connection with the Operating Partnership's evaluation referred to above that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Items 10, 11, 12, 13 and 14.

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

The information required by Item 10, Item 11, Item 12, Item 13 and Item 14 is incorporated by reference to, and will be contained in, Equity Residential's Proxy Statement, which the Company intends to file no later than 120 days after the end of its fiscal year ended December 31, 2013, and thus these items have been omitted in accordance with General Instruction G(3) to Form 10-K. Equity Residential is the general partner and 96.2% owner of ERP Operating Limited Partnership.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

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

(2) Exhibits: See the Exhibit Index.

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITY RESIDENTIAL

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

Date: February 27, 2014

ERP OPERATING LIMITED PARTNERSHIP

**BY: EQUITY RESIDENTIAL
ITS GENERAL PARTNER**

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

Date: February 27, 2014

Table of ContentsEQUITY RESIDENTIAL
ERP OPERATING LIMITED PARTNERSHIP

POWER OF ATTORNEY

KNOW ALL MEN/WOMEN BY THESE PRESENTS, that each person whose signature appears below, hereby constitutes and appoints David J. Neithercut, Mark J. Parrell and Ian S. Kaufman, or any of them, his or her attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her in any and all capacities, to do all acts and things which said attorneys and agents, or any of them, deem advisable to enable the company to comply with the Securities Exchange Act of 1934, as amended, and any requirements or regulations of the Securities and Exchange Commission in respect thereof, in connection with the company's filing of an annual report on Form 10-K for the company's fiscal year 2013, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his or her name as a trustee or officer, or both, of the company, as indicated below opposite his or her signature, to the Form 10-K, and any amendment thereto; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

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

Name	Title	Date
/s/ David J. Neithercut David J. Neithercut	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 27, 2014
/s/ Mark J. Parrell Mark J. Parrell	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2014
/s/ Ian S. Kaufman Ian S. Kaufman	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2014
/s/ John W. Alexander John W. Alexander	Trustee	February 27, 2014
/s/ Charles L. Atwood Charles L. Atwood	Trustee	February 27, 2014
/s/ Linda Walker Bynoe Linda Walker Bynoe	Trustee	February 27, 2014
/s/ Mary Kay Haben Mary Kay Haben	Trustee	February 27, 2014
/s/ Bradley A. Keywell Bradley A. Keywell	Trustee	February 27, 2014
/s/ John E. Neal John E. Neal	Trustee	February 27, 2014

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/s/ Mark S. Shapiro Mark S. Shapiro	Trustee	February 27, 2014
/s/ B. Joseph White B. Joseph White	Trustee	February 27, 2014
/s/ Gerald A. Spector Gerald A. Spector	Vice Chairman of the Board of Trustees	February 27, 2014
/s/ Samuel Zell Samuel Zell	Chairman of the Board of Trustees	February 27, 2014

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

EQUITY RESIDENTIAL

ERP OPERATING LIMITED PARTNERSHIP

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Report of Independent Registered Public Accounting Firm (ERP Operating Limited Partnership)	<u>F-3</u>
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (Equity Residential)	<u>F-4</u>
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting (ERP Operating Limited Partnership)	<u>F-5</u>
Financial Statements of Equity Residential:	
Consolidated Balance Sheets as of December 31, 2013 and 2012	<u>F-6</u>
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	<u>F-7 to F-8</u>
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	<u>F-9 to F-11</u>
Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011	<u>F-12 to F-13</u>
Financial Statements of ERP Operating Limited Partnership:	
Consolidated Balance Sheets as of December 31, 2013 and 2012	<u>F-14</u>
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	<u>F-15 to F-16</u>
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	<u>F-17 to F-19</u>
Consolidated Statements of Changes in Capital for the years ended December 31, 2013, 2012 and 2011	<u>F-20 to F-21</u>
Notes to Consolidated Financial Statements of Equity Residential and ERP Operating Limited Partnership	<u>F-22 to F-67</u>

SCHEDULE FILED AS PART OF THIS REPORT

Schedule III – Real Estate and Accumulated Depreciation of Equity Residential and ERP Operating Limited Partnership S-1 to S-13

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders

Equity Residential

We have audited the accompanying consolidated balance sheets of Equity Residential (the “Company”) as of December 31, 2013 and 2012 and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the accompanying index to the consolidated financial statements and schedule. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equity Residential at December 31, 2013 and 2012 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Equity Residential’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 27, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners

ERP Operating Limited Partnership

We have audited the accompanying consolidated balance sheets of ERP Operating Limited Partnership (the “Operating Partnership”) as of December 31, 2013 and 2012 and the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the accompanying index to the consolidated financial statements and schedule. These financial statements and schedule are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ERP Operating Limited Partnership at December 31, 2013 and 2012 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ERP Operating Limited Partnership's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 27, 2014

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

To the Board of Trustees and Shareholders

Equity Residential

We have audited Equity Residential's (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the "COSO Criteria"). Equity Residential's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Equity Residential maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO Criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Equity Residential as of December 31, 2013 and 2012 and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2013 of Equity Residential and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 27, 2014

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

To the Partners

ERP Operating Limited Partnership

We have audited ERP Operating Limited Partnership's (the "Operating Partnership") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the "COSO Criteria"). ERP Operating Limited Partnership's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Operating Partnership's internal control over financial reporting based on our audit.

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

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

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

In our opinion, ERP Operating Limited Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO Criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ERP Operating Limited Partnership as of December 31, 2013 and 2012 and the related consolidated statements of operations and comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2013 of ERP Operating Limited Partnership and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

Chicago, Illinois
February 27, 2014

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CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Investment in real estate		
Land	\$6,192,512	\$4,554,912
Depreciable property	19,226,047	15,711,944
Projects under development	988,867	387,750
Land held for development	393,522	353,823
Investment in real estate	26,800,948	21,008,429
Accumulated depreciation	(4,807,709)	(4,912,221)
Investment in real estate, net	21,993,239	16,096,208
Cash and cash equivalents	53,534	612,590
Investments in unconsolidated entities	178,526	17,877
Deposits – restricted	103,567	250,442
Escrow deposits – mortgage	42,636	9,129
Deferred financing costs, net	58,486	44,382
Other assets	404,557	170,372
Total assets	\$22,834,545	\$17,201,000
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	\$5,174,166	\$3,898,369
Notes, net	5,477,088	4,630,875
Lines of credit	115,000	—
Accounts payable and accrued expenses	118,791	38,372
Accrued interest payable	78,309	76,223
Other liabilities	347,748	304,518
Security deposits	71,592	66,988
Distributions payable	243,511	260,176
Total liabilities	11,626,205	9,275,521
Commitments and contingencies		
Redeemable Noncontrolling Interests – Operating Partnership	363,144	398,372
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares authorized; 1,000,000 shares issued and outstanding as of December 31, 2013 and December 31, 2012	50,000	50,000
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 360,479,260 shares issued and outstanding as of December 31, 2013 and 325,054,654 shares issued and outstanding as of December 31, 2012	3,605	3,251
Paid in capital	8,561,500	6,542,355
Retained earnings	2,047,258	887,355

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Accumulated other comprehensive (loss)	(155,162) (193,148)
Total shareholders' equity	10,507,201	7,289,813	
Noncontrolling Interests:			
Operating Partnership	211,412	159,606	
Partially Owned Properties	126,583	77,688	
Total Noncontrolling Interests	337,995	237,294	
Total equity	10,845,196	7,527,107	
Total liabilities and equity	\$22,834,545	\$17,201,000	

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
REVENUES			
Rental income	\$2,378,004	\$1,737,929	\$1,516,194
Fee and asset management	9,698	9,573	9,026
Total revenues	2,387,702	1,747,502	1,525,220
EXPENSES			
Property and maintenance	449,461	332,190	304,380
Real estate taxes and insurance	293,999	206,723	178,406
Property management	84,342	81,902	81,867
Fee and asset management	6,460	4,663	4,279
Depreciation	978,973	560,669	506,175
General and administrative	62,179	47,233	43,604
Total expenses	1,875,414	1,233,380	1,118,711
Operating income	512,288	514,122	406,509
Interest and other income	4,656	150,546	7,963
Other expenses	(9,105)	) (21,692)	) (12,400)
Merger expenses	(19,864)	) (5,619)	) (1,736)
Interest:			
Expense incurred, net	(586,854)	) (455,236)	) (460,172)
Amortization of deferred financing costs	(22,197)	) (21,295)	) (16,616)
(Loss) income before income and other taxes, (loss) from investments in unconsolidated entities, net gain on sales of unconsolidated entities and land parcels and discontinued operations	(121,076)	) 160,826	) (76,452)
Income and other tax (expense) benefit	(1,169)	) (514)	) (706)
(Loss) from investments in unconsolidated entities due to operations	(4,159)	) (14)) —
(Loss) from investments in unconsolidated entities due to merger expenses	(54,004)) —) —
Net gain on sales of unconsolidated entities	7	—	—
Net gain on sales of land parcels	12,227	—	4,217
(Loss) income from continuing operations	(168,174)	) 160,298	) (72,941)
Discontinued operations, net	2,073,527	720,906	1,008,138
Net income	1,905,353	881,204	935,197
Net (income) loss attributable to Noncontrolling Interests:			
Operating Partnership	(75,278)	) (38,641)	) (40,780)
Partially Owned Properties	538	) (844)	) (832)
Net income attributable to controlling interests	1,830,613	841,719	893,585
Preferred distributions	(4,145)	) (10,355)	) (13,865)
Premium on redemption of Preferred Shares	—) (5,152)) —
Net income available to Common Shares	\$1,826,468	\$826,212	\$879,720

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Earnings per share – basic:

(Loss) income from continuing operations available to Common Shares	\$ (0.47)	\$ 0.45	\$ (0.28)
Net income available to Common Shares	\$ 5.16		\$ 2.73	\$ 2.98	
Weighted average Common Shares outstanding	354,305		302,701	294,856	

Earnings per share – diluted:

(Loss) income from continuing operations available to Common Shares	\$ (0.47	)	\$ 0.45	\$ (0.28)
Net income available to Common Shares	\$ 5.16		\$ 2.70	\$ 2.98	
Weighted average Common Shares outstanding	354,305		319,766	294,856	

See accompanying notes

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EQUITY RESIDENTIAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2013	2012	2011
Comprehensive income:			
Net income	\$1,905,353	\$881,204	\$935,197
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	18,771	(11,772	) (143,598
Losses reclassified into earnings from other comprehensive income	20,141	14,678	4,343
Other comprehensive income (loss) – other instruments:			
Unrealized holding gains arising during the year	583	664	355
(Gains) realized during the year	(2,122) —	—
Other comprehensive income – foreign currency:			
Currency translation adjustments arising during the year	613	—	—
Other comprehensive income (loss)	37,986	3,570	(138,900
Comprehensive income	1,943,339	884,774	796,297
Comprehensive (income) attributable to Noncontrolling Interests	(74,740	) (39,485	) (41,612
Comprehensive income attributable to controlling interests	\$1,868,599	\$845,289	\$754,685

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,905,353	\$ 881,204	\$ 935,197
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,013,353	684,992	663,616
Amortization of deferred financing costs	22,425	21,435	17,846
Amortization of above/below market leases	898	—	—
Amortization of discounts and premiums on debt	(156,439)	(8,181)	(1,478)
Amortization of deferred settlements on derivative instruments	19,607	14,144	3,808
Write-off of pursuit costs	5,184	9,056	5,075
Loss from investments in unconsolidated entities	58,163	14	—
Distributions from unconsolidated entities – return on capital	2,481	575	319
Net (gain) on sales of investment securities/technology investments	(4,203)	—	(4,537)
Net (gain) on sales of unconsolidated entities	(7)	—	—
Net (gain) on sales of land parcels	(12,227)	—	(4,217)
Net (gain) on sales of discontinued operations	(2,036,505)	(548,278)	(826,489)
Unrealized loss (gain) on derivative instruments	70	(1)	186
Compensation paid with Company Common Shares	35,474	24,832	21,177
Changes in assets and liabilities:			
Decrease (increase) in deposits – restricted	3,684	(4,091)	4,523
Decrease in mortgage deposits	1,813	176	2,133
Decrease (increase) in other assets	3,742	(20,411)	(2,743)
Increase (decrease) in accounts payable and accrued expenses	6,229	(2,102)	332
(Decrease) in accrued interest payable	(9,219)	(11,898)	(10,510)
Increase (decrease) in other liabilities	15,401	2,987	(8,245)
(Decrease) increase in security deposits	(6,361)	1,702	4,474
Net cash provided by operating activities	868,916	1,046,155	800,467
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Archstone, net of cash acquired	(4,000,875)	—	—
Investment in real estate – acquisitions	(108,308)	(843,976)	(1,441,599)
Investment in real estate – development/other	(377,442)	(180,409)	(120,741)
Improvements to real estate	(135,816)	(152,828)	(144,452)
Additions to non-real estate property	(4,134)	(8,821)	(7,110)
Interest capitalized for real estate and unconsolidated entities under development	(47,321)	(22,509)	(9,108)
Proceeds from disposition of real estate, net	4,551,454	1,049,219	1,500,583
Investments in unconsolidated entities	(66,471)	(5,291)	(2,021)
Distributions from unconsolidated entities – return of capital	25,471	—	—
Proceeds from sale of investment securities/technology investments	4,878	—	4,537
Decrease (increase) in deposits on real estate acquisitions and investments, net	143,694	(97,984)	7,631

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Decrease (increase) in mortgage deposits	7,893	1,444	(479)
Deconsolidation of previously consolidated properties	—	—	28,360	
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(13	) (12,809)
Net cash (used for) investing activities	(6,977) (261,168) (197,208)

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loan and bond acquisition costs	\$ (16,526)	\$ (21,209)	\$ (20,421)
Mortgage deposits	(5,631)	(57)	247)
Mortgage notes payable:			
Proceeds	902,886	26,495	190,905
Restricted cash	—	2,370	16,596
Lump sum payoffs	(2,532,682)	(350,247)	(974,956)
Scheduled principal repayments	(12,658)	(14,088)	(16,726)
Notes, net:			
Proceeds	1,245,550	—	996,190
Lump sum payoffs	(400,000)	(975,991)	(575,641)
Lines of credit:			
Proceeds	9,832,000	5,876,000	1,455,000
Repayments	(9,717,000)	(5,876,000)	(1,455,000)
(Payments on) settlement of derivative instruments	(44,063)	—	(147,306)
Proceeds from sale of Common Shares	—	1,417,040	173,484
Proceeds from Employee Share Purchase Plan (ESPP)	3,401	5,399	5,262
Proceeds from exercise of options	17,252	49,039	95,322
Redemption of Preferred Shares	—	(150,000)	—
Premium on redemption of Preferred Shares	—	(23)	—
Payment of offering costs	(1,047)	(39,359)	(3,596)
Other financing activities, net	(48)	(48)	(48)
Contributions – Noncontrolling Interests – Partially Owned Properties	27,660	8,221	75,911
Contributions – Noncontrolling Interests – Operating Partnership	5	5	—
Distributions:			
Common Shares	(681,610)	(473,451)	(432,023)
Preferred Shares	(4,145)	(13,416)	(12,829)
Noncontrolling Interests – Operating Partnership	(27,897)	(21,915)	(20,002)
Noncontrolling Interests – Partially Owned Properties	(6,442)	(5,083)	(1,115)
Net cash (used for) financing activities	(1,420,995)	(556,318)	(650,746)
Net (decrease) increase in cash and cash equivalents	(559,056)	228,669	(47,487)
Cash and cash equivalents, beginning of year	612,590	383,921	431,408
Cash and cash equivalents, end of year	\$53,534	\$612,590	\$383,921

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

	Year Ended December 31,		
	2013	2012	2011
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$722,861	\$464,937	\$477,434
Net cash paid for income and other taxes	\$1,152	\$673	\$645
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$—	\$137,644	\$158,240
Valuation of OP Units issued	\$—	\$66,606	\$—
Amortization of deferred financing costs:			
Investment in real estate, net	\$(152) \$—	\$—
Deferred financing costs, net	\$22,577	\$21,435	\$17,846
Amortization of discounts and premiums on debt:			
Mortgage notes payable	\$(158,625	) \$(10,333	) \$(8,260
Notes, net	\$2,186	\$2,152	\$6,782
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(534	) \$(534	) \$(535
Accumulated other comprehensive income	\$20,141	\$14,678	\$4,343
Loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$53,073	\$14	\$—
Other liabilities	\$5,090	\$—	\$—
Unrealized loss (gain) on derivative instruments:			
Other assets	\$(17,139	) \$7,448	\$6,826
Mortgage notes payable	\$—	\$(2,589	) \$(612
Notes, net	\$(1,523	) \$(4,860	) \$(2,937
Other liabilities	\$(39	) \$11,772	\$140,507
Accumulated other comprehensive income	\$18,771	\$(11,772	) \$(143,598
Acquisition of Archstone, net of cash acquired:			
Investment in real estate, net	\$(8,687,355) \$—	\$—
Investments in unconsolidated entities	\$(225,568) \$—	\$—
Deposits – restricted	\$(528) \$—	\$—
Escrow deposits – mortgage	\$(37,582) \$—	\$—
Deferred financing costs, net	\$(25,780) \$—	\$—
Other assets	\$(215,622) \$—	\$—
Mortgage notes payable	\$3,076,876	\$—	\$—
Accounts payable and accrued expenses	\$16,984	\$—	\$—
Accrued interest payable	\$11,305	\$—	\$—
Other liabilities	\$117,299	\$—	\$—
Security deposits	\$10,965	\$—	\$—
Issuance of Common Shares	\$1,929,868	\$—	\$—
Noncontrolling Interests – Partially Owned Properties	\$28,263	\$—	\$—
Interest capitalized for real estate and unconsolidated entities under development:			
Investment in real estate, net	\$(45,533	) \$(21,661	) \$(8,785
Investments in unconsolidated entities	\$(1,788) \$(848) \$(323
Investments in unconsolidated entities:			

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Investments in unconsolidated entities	\$ (13,656) \$ (5,291) \$ (2,021)
Other liabilities	\$ (52,815) \$ —	\$ —)
Deconsolidation of previously consolidated properties:				
Investment in real estate, net	\$ —	\$ —	\$ 35,495)
Investments in unconsolidated entities	\$ —	\$ —	\$ (7,135)
(Payments on) settlement of derivative instruments:				
Other assets	\$ (50) \$ —	\$ —)
Other liabilities	\$ (44,013	) \$ —	\$ (147,306)
Other:				
Receivable on sale of Common Shares	\$ —	\$ 28,457	\$ —)
Foreign currency translation adjustments	\$ (613) \$ —	\$ —)

See accompanying notes

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

SHAREHOLDERS' EQUITY	Year Ended December 31,			
	2013	2012	2011	
PREFERRED SHARES				
Balance, beginning of year	\$ 50,000	\$ 200,000	\$ 200,000	
Redemption of 6.48% Series N Cumulative Redeemable	—	(150,000) —	
Balance, end of year	\$ 50,000	\$ 50,000	\$ 200,000	
COMMON SHARES, \$0.01 PAR VALUE				
Balance, beginning of year	\$ 3,251	\$ 2,975	\$ 2,902	
Conversion of OP Units into Common Shares	1	7	3	
Issuance of Common Shares	345	250	39	
Exercise of share options	5	16	29	
Employee Share Purchase Plan (ESPP)	1	1	1	
Conversion of restricted shares to LTIP Units	—	—	(1)
Share-based employee compensation expense:				
Restricted shares	2	2	2	
Balance, end of year	\$ 3,605	\$ 3,251	\$ 2,975	
PAID IN CAPITAL				
Balance, beginning of year	\$ 6,542,355	\$ 5,047,186	\$ 4,741,521	
Common Share Issuance:				
Conversion of OP Units into Common Shares	1,698	18,922	8,577	
Issuance of Common Shares	1,929,523	1,388,333	201,903	
Exercise of share options	17,247	49,023	95,293	
Employee Share Purchase Plan (ESPP)	3,400	5,398	5,261	
Conversion of restricted shares to LTIP Units	—	—	(3,933)
Share-based employee compensation expense:				
Restricted shares	13,262	8,934	9,100	
Share options	10,514	11,752	9,545	
ESPP discount	632	965	1,194	
Offering costs	(1,047) (39,359) (3,596)
Premium on redemption of Preferred Shares – original issuance costs	—	5,129	—	
Supplemental Executive Retirement Plan (SERP)	(422	) 282	10,765
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	1,293	(4,784)
Change in market value of Redeemable Noncontrolling Interests –				
Operating Partnership	79,667	38,734	(22,714)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	(35,329) 5,763	(946)
Balance, end of year	\$ 8,561,500	\$ 6,542,355	\$ 5,047,186	

See accompanying notes
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EQUITY RESIDENTIAL
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Amounts in thousands)

SHAREHOLDERS' EQUITY (continued)	Year Ended December 31,		
	2013	2012	2011
RETAINED EARNINGS			
Balance, beginning of year	\$887,355	\$615,572	\$203,581
Net income attributable to controlling interests	1,830,613	841,719	893,585
Common Share distributions	(666,565	) (554,429	) (467,729)
Preferred Share distributions	(4,145	) (10,355	) (13,865)
Premium on redemption of Preferred Shares – cash charge	—	(23) —
Premium on redemption of Preferred Shares – original issuance costs	—	(5,129) —
Balance, end of year	\$2,047,258	\$887,355	\$615,572
ACCUMULATED OTHER COMPREHENSIVE (LOSS)			
Balance, beginning of year	\$(193,148	) \$(196,718	) \$(57,818)
Accumulated other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	18,771	(11,772	) (143,598)
Losses reclassified into earnings from other comprehensive income	20,141	14,678	4,343
Accumulated other comprehensive income (loss) – other instruments:			
Unrealized holding gains arising during the year	583	664	355
(Gains) realized during the year	(2,122) —	—
Accumulated other comprehensive income – foreign currency:			
Currency translation adjustments arising during the year	613	—	—
Balance, end of year	\$(155,162	) \$(193,148	) \$(196,718)
NONCONTROLLING INTERESTS			
OPERATING PARTNERSHIP			
Balance, beginning of year	\$159,606	\$119,536	\$110,399
Issuance of OP Units to Noncontrolling Interests	—	66,606	—
Issuance of LTIP Units to Noncontrolling Interests	5	5	—
Conversion of OP Units held by Noncontrolling Interests into OP Units held by General Partner	(1,699	) (18,929	) (8,580)
Conversion of restricted shares to LTIP Units	—	—	3,934
Equity compensation associated with Noncontrolling Interests	13,609	5,307	3,641
Net income attributable to Noncontrolling Interests	75,278	38,641	40,780
Distributions to Noncontrolling Interests	(26,277	) (25,095	) (21,434)
Change in carrying value of Redeemable Noncontrolling Interests – Operating Partnership	(44,439	) (20,702	) (10,150)
Adjustment for Noncontrolling Interests ownership in Operating Partnership	35,329	(5,763) 946
Balance, end of year	\$211,412	\$159,606	\$119,536

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PARTIALLY OWNED PROPERTIES

Balance, beginning of year	\$77,688	\$74,306	\$7,991	
Net (loss) income attributable to Noncontrolling Interests	(538) 844	832	
Contributions by Noncontrolling Interests	27,660	8,221	75,911	
Distributions to Noncontrolling Interests	(6,490) (5,131) (1,163)
Acquisition of Archstone	28,263	—	—	
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(1,306) (8,025)
Other	—	754	(1,240)
Balance, end of year	\$126,583	\$77,688	\$74,306	

See accompanying notes

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

	December 31, 2013	December 31, 2012
ASSETS		
Investment in real estate		
Land	\$6,192,512	\$4,554,912
Depreciable property	19,226,047	15,711,944
Projects under development	988,867	387,750
Land held for development	393,522	353,823
Investment in real estate	26,800,948	21,008,429
Accumulated depreciation	(4,807,709)	(4,912,221)
Investment in real estate, net	21,993,239	16,096,208
Cash and cash equivalents	53,534	612,590
Investments in unconsolidated entities	178,526	17,877
Deposits – restricted	103,567	250,442
Escrow deposits – mortgage	42,636	9,129
Deferred financing costs, net	58,486	44,382
Other assets	404,557	170,372
Total assets	\$22,834,545	\$17,201,000
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable	\$5,174,166	\$3,898,369
Notes, net	5,477,088	4,630,875
Lines of credit	115,000	—
Accounts payable and accrued expenses	118,791	38,372
Accrued interest payable	78,309	76,223
Other liabilities	347,748	304,518
Security deposits	71,592	66,988
Distributions payable	243,511	260,176
Total liabilities	11,626,205	9,275,521
Commitments and contingencies		
Redeemable Limited Partners	363,144	398,372
Capital:		
Partners' Capital:		
Preference Units	50,000	50,000
General Partner	10,612,363	7,432,961
Limited Partners	211,412	159,606
Accumulated other comprehensive (loss)	(155,162)	(193,148)
Total partners' capital	10,718,613	7,449,419
Noncontrolling Interests – Partially Owned Properties	126,583	77,688
Total capital	10,845,196	7,527,107
Total liabilities and capital	\$22,834,545	\$17,201,000

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

	Year Ended December 31,		
	2013	2012	2011
REVENUES			
Rental income	\$2,378,004	\$1,737,929	\$1,516,194
Fee and asset management	9,698	9,573	9,026
Total revenues	2,387,702	1,747,502	1,525,220
EXPENSES			
Property and maintenance	449,461	332,190	304,380
Real estate taxes and insurance	293,999	206,723	178,406
Property management	84,342	81,902	81,867
Fee and asset management	6,460	4,663	4,279
Depreciation	978,973	560,669	506,175
General and administrative	62,179	47,233	43,604
Total expenses	1,875,414	1,233,380	1,118,711
Operating income	512,288	514,122	406,509
Interest and other income	4,656	150,546	7,963
Other expenses	(9,105)	) (21,692)	) (12,400)
Merger expenses	(19,864)	) (5,619)	) (1,736)
Interest:			
Expense incurred, net	(586,854)	) (455,236)	) (460,172)
Amortization of deferred financing costs	(22,197)	) (21,295)	) (16,616)
(Loss) income before income and other taxes, (loss) from investments in unconsolidated entities, net gain on sales of unconsolidated entities and land parcels and discontinued operations	(121,076)	) 160,826	) (76,452)
Income and other tax (expense) benefit	(1,169)	) (514)	) (706)
(Loss) from investments in unconsolidated entities due to operations	(4,159)	) (14)) —
(Loss) from investments in unconsolidated entities due to merger expenses	(54,004)) —) —
Net gain on sales of unconsolidated entities	7	—	—
Net gain on sales of land parcels	12,227	—	4,217
(Loss) income from continuing operations	(168,174)	) 160,298	) (72,941)
Discontinued operations, net	2,073,527	720,906	1,008,138
Net income	1,905,353	881,204	935,197
Net loss (income) attributable to Noncontrolling Interests – Partially Owned Properties	538	(844)	) (832)
Net income attributable to controlling interests	\$1,905,891	\$880,360	\$934,365
ALLOCATION OF NET INCOME:			
Preference Units	\$4,145	\$10,355	\$13,865

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Premium on redemption of Preference Units	\$—	\$5,152	\$—
General Partner	\$1,826,468	\$826,212	\$879,720
Limited Partners	75,278	38,641	40,780
Net income available to Units	\$1,901,746	\$864,853	\$920,500
Earnings per Unit – basic:			
(Loss) income from continuing operations available to Units	\$ (0.47	) \$0.45	\$ (0.28
Net income available to Units	\$5.16	\$2.73	\$2.98
Weighted average Units outstanding	368,038	316,554	308,062
Earnings per Unit – diluted:			
(Loss) income from continuing operations available to Units	\$ (0.47	) \$0.45	\$ (0.28
Net income available to Units	\$5.16	\$2.70	\$2.98
Weighted average Units outstanding	368,038	319,766	308,062

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
Comprehensive income:			
Net income	\$1,905,353	\$881,204	\$935,197
Other comprehensive income (loss):			
Other comprehensive income (loss) – derivative instruments:			
Unrealized holding gains (losses) arising during the year	18,771	(11,772	) (143,598
Losses reclassified into earnings from other comprehensive income	20,141	14,678	4,343
Other comprehensive income (loss) – other instruments:			
Unrealized holding gains arising during the year	583	664	355
(Gains) realized during the year	(2,122) —	—
Other comprehensive income – foreign currency:			
Currency translation adjustments arising during the year	613	—	—
Other comprehensive income (loss)	37,986	3,570	(138,900
Comprehensive income	1,943,339	884,774	796,297
Comprehensive loss (income) attributable to Noncontrolling Interests – Partially Owned Properties	538	(844	) (832
Comprehensive income attributable to controlling interests	\$1,943,877	\$883,930	\$795,465

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,905,353	\$ 881,204	\$ 935,197
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,013,353	684,992	663,616
Amortization of deferred financing costs	22,425	21,435	17,846
Amortization of above/below market leases	898	—	—
Amortization of discounts and premiums on debt	(156,439)	(8,181)	(1,478)
Amortization of deferred settlements on derivative instruments	19,607	14,144	3,808
Write-off of pursuit costs	5,184	9,056	5,075
Loss from investments in unconsolidated entities	58,163	14	—
Distributions from unconsolidated entities – return on capital	2,481	575	319
Net (gain) on sales of investment securities/technology investments	(4,203)	—	(4,537)
Net (gain) on sales of unconsolidated entities	(7)	—	—
Net (gain) on sales of land parcels	(12,227)	—	(4,217)
Net (gain) on sales of discontinued operations	(2,036,505)	(548,278)	(826,489)
Unrealized loss (gain) on derivative instruments	70	(1)	186
Compensation paid with Company Common Shares	35,474	24,832	21,177
Changes in assets and liabilities:			
Decrease (increase) in deposits – restricted	3,684	(4,091)	4,523
Decrease in mortgage deposits	1,813	176	2,133
Decrease (increase) in other assets	3,742	(20,411)	(2,743)
Increase (decrease) in accounts payable and accrued expenses	6,229	(2,102)	332
(Decrease) in accrued interest payable	(9,219)	(11,898)	(10,510)
Increase (decrease) in other liabilities	15,401	2,987	(8,245)
(Decrease) increase in security deposits	(6,361)	1,702	4,474
Net cash provided by operating activities	868,916	1,046,155	800,467
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Archstone, net of cash acquired	(4,000,875)	—	—
Investment in real estate – acquisitions	(108,308)	(843,976)	(1,441,599)
Investment in real estate – development/other	(377,442)	(180,409)	(120,741)
Improvements to real estate	(135,816)	(152,828)	(144,452)
Additions to non-real estate property	(4,134)	(8,821)	(7,110)
Interest capitalized for real estate and unconsolidated entities under development	(47,321)	(22,509)	(9,108)
Proceeds from disposition of real estate, net	4,551,454	1,049,219	1,500,583
Investments in unconsolidated entities	(66,471)	(5,291)	(2,021)
Distributions from unconsolidated entities – return of capital	25,471	—	—
Proceeds from sale of investment securities/technology investments	4,878	—	4,537
Decrease (increase) in deposits on real estate acquisitions and investments, net	143,694	(97,984)	7,631

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Decrease (increase) in mortgage deposits	7,893	1,444	(479)
Deconsolidation of previously consolidated properties	—	—	28,360)
Acquisition of Noncontrolling Interests – Partially Owned Properties	—	(13	) (12,809)
Net cash (used for) investing activities	(6,977) (261,168) (197,208)

See accompanying notes

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

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loan and bond acquisition costs	\$(16,526	) \$(21,209	) \$(20,421
Mortgage deposits	(5,631	) (57	) 247
Mortgage notes payable:			
Proceeds	902,886	26,495	190,905
Restricted cash	—	2,370	16,596
Lump sum payoffs	(2,532,682	) (350,247	) (974,956
Scheduled principal repayments	(12,658	) (14,088	) (16,726
Notes, net:			
Proceeds	1,245,550	—	996,190
Lump sum payoffs	(400,000	) (975,991	) (575,641
Lines of credit:			
Proceeds	9,832,000	5,876,000	1,455,000
Repayments	(9,717,000	) (5,876,000	) (1,455,000
(Payments on) settlement of derivative instruments	(44,063	) —	(147,306
Proceeds from sale of OP Units	—	1,417,040	173,484
Proceeds from EQR's Employee Share Purchase Plan (ESPP)	3,401	5,399	5,262
Proceeds from exercise of EQR options	17,252	49,039	95,322
Redemption of Preference Units	—	(150,000) —
Premium on redemption of Preference Units	—	(23) —
Payment of offering costs	(1,047	) (39,359	) (3,596
Other financing activities, net	(48	) (48	) (48
Contributions – Noncontrolling Interests – Partially Owned Properties	27,660	8,221	75,911
Contributions – Limited Partners	5	5	—
Distributions:			
OP Units – General Partner	(681,610	) (473,451	) (432,023
Preference Units	(4,145	) (13,416	) (12,829
OP Units – Limited Partners	(27,897	) (21,915	) (20,002
Noncontrolling Interests – Partially Owned Properties	(6,442	) (5,083	) (1,115
Net cash (used for) financing activities	(1,420,995	) (556,318	) (650,746
Net (decrease) increase in cash and cash equivalents	(559,056	) 228,669	(47,487
Cash and cash equivalents, beginning of year	612,590	383,921	431,408
Cash and cash equivalents, end of year	\$53,534	\$612,590	\$383,921

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

	Year Ended December 31,		
	2013	2012	2011
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$722,861	\$464,937	\$477,434
Net cash paid for income and other taxes	\$1,152	\$673	\$645
Real estate acquisitions/dispositions/other:			
Mortgage loans assumed	\$—	\$137,644	\$158,240
Valuation of OP Units issued	\$—	\$66,606	\$—
Amortization of deferred financing costs:			
Investment in real estate, net	\$(152) \$—	\$—
Deferred financing costs, net	\$22,577	\$21,435	\$17,846
Amortization of discounts and premiums on debt:			
Mortgage notes payable	\$(158,625	) \$(10,333	) \$(8,260
Notes, net	\$2,186	\$2,152	\$6,782
Amortization of deferred settlements on derivative instruments:			
Other liabilities	\$(534	) \$(534	) \$(535
Accumulated other comprehensive income	\$20,141	\$14,678	\$4,343
Loss from investments in unconsolidated entities:			
Investments in unconsolidated entities	\$53,073	\$14	\$—
Other liabilities	\$5,090	\$—	\$—
Unrealized loss (gain) on derivative instruments:			
Other assets	\$(17,139	) \$7,448	\$6,826
Mortgage notes payable	\$—	\$(2,589	) \$(612
Notes, net	\$(1,523	) \$(4,860	) \$(2,937
Other liabilities	\$(39	) \$11,772	\$140,507
Accumulated other comprehensive income	\$18,771	\$(11,772	) \$(143,598
Acquisition of Archstone, net of cash acquired:			
Investment in real estate, net	\$(8,687,355) \$—	\$—
Investments in unconsolidated entities	\$(225,568) \$—	\$—
Deposits – restricted	\$(528) \$—	\$—
Escrow deposits – mortgage	\$(37,582) \$—	\$—
Deferred financing costs, net	\$(25,780) \$—	\$—
Other assets	\$(215,622) \$—	\$—
Mortgage notes payable	\$3,076,876	\$—	\$—
Accounts payable and accrued expenses	\$16,984	\$—	\$—
Accrued interest payable	\$11,305	\$—	\$—
Other liabilities	\$117,299	\$—	\$—
Security deposits	\$10,965	\$—	\$—
Issuance of OP Units	\$1,929,868	\$—	\$—
Noncontrolling Interests – Partially Owned Properties	\$28,263	\$—	\$—
Interest capitalized for real estate and unconsolidated entities under development:			
Investment in real estate, net	\$(45,533	) \$(21,661	) \$(8,785
Investments in unconsolidated entities	\$(1,788) \$(848) \$(323
Investments in unconsolidated entities:			

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Investments in unconsolidated entities	\$ (13,656)	\$ (5,291)	\$ (2,021)
Other liabilities	\$ (52,815)	\$ —	\$ —
Deconsolidation of previously consolidated properties:			
Investment in real estate, net	\$ —	\$ —	\$ 35,495
Investments in unconsolidated entities	\$ —	\$ —	\$ (7,135)
(Payments on) settlement of derivative instruments:			
Other assets	\$ (50)	\$ —	\$ —
Other liabilities	\$ (44,013)	\$ —	\$ (147,306)
Other:			
Receivable on sale of OP Units	\$ —	\$ 28,457	\$ —
Foreign currency translation adjustments	\$ (613)	\$ —	\$ —

See accompanying notes

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

PARTNERS' CAPITAL	Year Ended December 31,			
	2013	2012	2011	
PREFERENCE UNITS				
Balance, beginning of year	\$ 50,000	\$ 200,000	\$ 200,000	
Redemption of 6.48% Series N Cumulative Redeemable	—	(150,000) —	
Balance, end of year	\$ 50,000	\$ 50,000	\$ 200,000	
GENERAL PARTNER				
Balance, beginning of year	\$ 7,432,961	\$ 5,665,733	\$ 4,948,004	
OP Unit Issuance:				
Conversion of OP Units held by Limited Partners into OP Units held by General Partner	1,699	18,929	8,580	
Issuance of OP Units	1,929,868	1,388,583	201,942	
Exercise of EQR share options	17,252	49,039	95,322	
EQR's Employee Share Purchase Plan (ESPP)	3,401	5,399	5,262	
Conversion of EQR restricted shares to LTIP Units	—	—	(3,934)
Share-based employee compensation expense:				
EQR restricted shares	13,264	8,936	9,102	
EQR share options	10,514	11,752	9,545	
EQR ESPP discount	632	965	1,194	
Offering costs	(1,047) (39,359) (3,596)
Premium on redemption of Preference Units – original issuance costs—		5,129		