

EQUITY RESIDENTIAL  
Form 10-Q  
August 07, 2007

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

**FORM 10-Q**

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

For the quarterly period ended **JUNE 30, 2007**

OR

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

Commission File Number: 1-12252

**EQUITY RESIDENTIAL**  
(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-3675988**  
(I.R.S. Employer Identification No.)

**Two North Riverside Plaza, Chicago, Illinois**  
(Address of Principal Executive Offices)

**60606**  
(Zip Code)

**(312) 474-1300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on June 30, 2007 was 277,134,550.

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

|  | June 30,<br>2007     | December 31,<br>2006 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Investment in real estate  |                      |                      |
| Land   | \$ 3,582,455         | \$ 3,217,672         |
| Depreciable property   | 13,855,981           | 13,376,359           |
| Projects under development   | 392,616              | 399,131              |
| Land held for development  | 313,360              | 242,013              |
| Investment in real estate  | 18,144,412           | 17,235,175           |
| Accumulated depreciation   | (3,125,555)          | (3,022,480)          |
| Investment in real estate, net   | 15,018,857           | 14,212,695           |
| Cash and cash equivalents  | 66,266               | 260,277              |
| Investments in unconsolidated entities   | 4,225                | 4,448                |
| Deposits restricted  | 350,934              | 391,825              |
| Escrow deposits mortgage   | 21,214               | 25,528               |
| Deferred financing costs, net  | 54,889               | 43,384               |
| Other assets   | 152,279              | 124,062              |
| <b>Total assets</b>  | <b>\$ 15,668,664</b> | <b>\$ 15,062,219</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                      |                      |
| Liabilities:   |                      |                      |
| Mortgage notes payable   | \$ 3,188,395         | \$ 3,178,223         |
| Notes, net   | 5,363,139            | 4,419,433            |
| Lines of credit  | 780,000              | 460,000              |
| Accounts payable and accrued expenses  | 111,140              | 96,699               |
| Accrued interest payable   | 95,183               | 91,172               |
| Other liabilities  | 332,927              | 311,557              |
| Security deposits  | 62,812               | 58,072               |
| Distributions payable  | 145,112              | 151,382              |
| <b>Total liabilities</b>   | <b>10,078,708</b>    | <b>8,766,538</b>     |
| <i>Commitments and contingencies</i>   |                      |                      |
| Minority Interests:  |                      |                      |
| Operating Partnership  | 333,056              | 372,961              |
| Preference Interests and Units   | 184                  | 11,684               |
| Partially Owned Properties   | 23,392               | 26,814               |
| <b>Total Minority Interests</b>  | <b>356,632</b>       | <b>411,459</b>       |
| Shareholders equity:   |                      |                      |
| Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares authorized; 2,727,250 shares issued and outstanding as of June 30, 2007 and 2,762,950 shares issued and outstanding as of December 31, 2006    | 385,681              | 386,574              |
| Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 277,134,550 shares issued and outstanding as of June 30, 2007 and 293,551,633 shares issued and outstanding as of December 31, 2006 | 2,771                | 2,936                |
| Paid in capital  | 4,563,630            | 5,349,194            |
| Retained earnings  | 288,109              | 159,528              |
| Accumulated other comprehensive loss   | (6,867)              | (14,010)             |
| <b>Total shareholders equity</b>   | <b>5,233,324</b>     | <b>5,884,222</b>     |
| <b>Total liabilities and shareholders equity</b>   | <b>\$ 15,668,664</b> | <b>\$ 15,062,219</b> |

**See accompanying notes**

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

|  | Six Months Ended June 30, |                   | Quarter Ended June 30, |                   |
|--|---------------------------|-------------------|------------------------|-------------------|
|  | 2007                      | 2006              | 2007                   | 2006              |
| <b>REVENUES</b>  |                           |                   |                        |                   |
| Rental income  | \$ 1,037,668              | \$ 910,242        | \$ 529,310             | \$ 465,213        |
| Fee and asset management   | 4,703                     | 4,807             | 2,436                  | 2,320             |
| <b>Total revenues</b>  | <b>1,042,371</b>          | <b>915,049</b>    | <b>531,746</b>         | <b>467,533</b>    |
| <b>EXPENSES</b>  |                           |                   |                        |                   |
| Property and maintenance   | 273,801                   | 238,594           | 136,682                | 120,823           |
| Real estate taxes and insurance  | 112,017                   | 88,963            | 55,302                 | 45,132            |
| Property management  | 47,254                    | 46,661            | 22,412                 | 23,077            |
| Fee and asset management   | 4,504                     | 4,326             | 2,163                  | 2,158             |
| Depreciation   | 304,052                   | 257,683           | 155,032                | 132,771           |
| General and administrative   | 21,515                    | 22,378            | 11,549                 | 9,338             |
| Impairment   | 394                       | 805               | 158                    | 239               |
| <b>Total expenses</b>  | <b>763,537</b>            | <b>659,410</b>    | <b>383,298</b>         | <b>333,538</b>    |
| <b>Operating income</b>  | <b>278,834</b>            | <b>255,639</b>    | <b>148,448</b>         | <b>133,995</b>    |
| Interest and other income  | 6,228                     | 4,246             | 3,784                  | 1,894             |
| Interest:  |                           |                   |                        |                   |
| Expense incurred, net  | (233,075 )                | (203,862 )        | (122,019 )             | (103,120 )        |
| Amortization of deferred financing costs   | (6,162 )                  | (4,383 )          | (3,615 )               | (1,752 )          |
| <b>Income before allocation to Minority Interests, loss from investments in unconsolidated entities, net gain on sales of unconsolidated entities and land parcels and discontinued operations</b> | <b>45,825</b>             | <b>51,640</b>     | <b>26,598</b>          | <b>31,017</b>     |
| Allocation to Minority Interests:  |                           |                   |                        |                   |
| Operating Partnership, net   | (2,097 )                  | (1,828 )          | (1,449 )               | (1,317 )          |
| Preference Interests and Units   | (434 )                    | (1,556 )          | (211 )                 | (457 )            |
| Partially Owned Properties   | (779 )                    | (2,068 )          | (187 )                 | (547 )            |
| Premium on redemption of Preference Interests  |                           | (683 )            |                        | (9 )              |
| Loss from investments in unconsolidated entities   | (363 )                    | (375 )            | (134 )                 | (145 )            |
| Net gain on sales of unconsolidated entities   |                           | 352               |                        | 23                |
| Net gain on sales of land parcels  | 4,516                     | 246               | 4,516                  | 246               |
| Income from continuing operations, net of minority interests   | 46,668                    | 45,728            | 29,133                 | 28,811            |
| Discontinued operations, net of minority interests   | 361,970                   | 492,244           | 253,268                | 131,346           |
| <b>Net income</b>  | <b>408,638</b>            | <b>537,972</b>    | <b>282,401</b>         | <b>160,157</b>    |
| Preferred distributions  | (14,840 )                 | (20,168 )         | (7,416 )               | (10,073 )         |
| <b>Net income available to Common Shares</b>   | <b>\$ 393,798</b>         | <b>\$ 517,804</b> | <b>\$ 274,985</b>      | <b>\$ 150,084</b> |
| <b>Earnings per share basic:</b>   |                           |                   |                        |                   |
| Income from continuing operations available to Common Shares   | \$ 0.11                   | \$ 0.09           | \$ 0.08                | \$ 0.07           |

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Net income available to Common Shares                        | \$ 1.37   | \$ 1.79   | \$ 0.97   | \$ 0.52   |
| Weighted average Common Shares outstanding                   | 288,316   | 289,172   | 284,424   | 289,460   |
| <b>Earnings per share diluted:</b>                           |           |           |           |           |
| Income from continuing operations available to Common Shares |           |           |           |           |
| Shares   | \$ 0.11   | \$ 0.09   | \$ 0.08   | \$ 0.06   |
| Net income available to Common Shares                        | \$ 1.35   | \$ 1.76   | \$ 0.95   | \$ 0.51   |
| Weighted average Common Shares outstanding                   | 311,963   | 314,420   | 307,631   | 314,698   |
| Distributions declared per Common Share outstanding          | \$ 0.9250 | \$ 0.8850 | \$ 0.4625 | \$ 0.4425 |

See accompanying notes

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

|   | <b>Six Months Ended June 30,</b> |             | <b>Quarter Ended June 30,</b> |             |
|---|----------------------------------|-------------|-------------------------------|-------------|
|   | <b>2007</b>                      | <b>2006</b> | <b>2007</b>                   | <b>2006</b> |
| <b>Comprehensive income:</b>  |                                  |             |                               |             |
| Net income  | \$ 408,638                       | \$ 537,972  | \$ 282,401                    | \$ 160,157  |
| <b>Other comprehensive income derivative and other instruments:</b> |                                  |             |                               |             |
| Unrealized holding gains arising during the period                  | 6,091                            | 2,409       | 6,212                         | 886         |
| Losses reclassified into earnings from other comprehensive income   | 1,052                            | 1,136       | 489                           | 547         |
| Comprehensive income  | \$ 415,781                       | \$ 541,517  | \$ 289,102                    | \$ 161,590  |

See accompanying notes

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

|  | <b>Six Months Ended June 30,</b> |             |
|--|----------------------------------|-------------|
|  | <b>2007</b>                      | <b>2006</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                  |             |
| Net income   | \$ 408,638                       | \$ 537,972  |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> |                                  |             |
| <i>Allocation to Minority Interests:</i>   |                                  |             |
| Operating Partnership  | 26,105                           | 36,499      |
| Preference Interests and Units   | 434                              | 1,556       |
| Partially Owned Properties   | 779                              | 2,068       |
| Premium on redemption of Preference Interests  |                                  | 683         |
| Depreciation   | 311,741                          | 297,472     |
| Amortization of deferred financing costs   | 7,484                            | 5,146       |
| Amortization of discounts and premiums on debt   | (2,686 )                         | (3,644 )    |
| Amortization of deferred settlements on derivative instruments                           | 362                              | 446         |
| Impairment   | 394                              | 1,156       |
| Loss from investments in unconsolidated entities   | 363                              | 375         |
| Distributions from unconsolidated entities return on capital                             | 47                               | 101         |
| Net (gain) on sales of unconsolidated entities   |                                  | (352 )      |
| Net (gain) on sales of land parcels  | (4,516 )                         | (246 )      |
| Net (gain) on sales of discontinued operations   | (385,323 )                       | (502,297 )  |
| Loss on debt extinguishments   | 3,041                            | 2,892       |
| Unrealized (gain) on derivative instruments  | (1 )                             |             |
| Compensation paid with Company Common Shares   | 10,243                           | 10,858      |
| Other operating activities, net  |                                  | (1 )        |
| <i>Changes in assets and liabilities:</i>  |                                  |             |
| (Increase) in deposits restricted  | (837 )                           | (9,570 )    |
| (Increase) decrease in other assets  | (6,741 )                         | 8,525       |
| Increase in accounts payable and accrued expenses  | 5,828                            | 9,272       |
| Increase in accrued interest payable   | 4,011                            | 7,931       |
| (Decrease) in other liabilities  | (28,313 )                        | (48,065 )   |
| Increase in security deposits  | 4,740                            | 4,954       |
| Net cash provided by operating activities  | 355,793                          | 363,731     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                  |             |
| Investment in real estate acquisitions   | (1,142,440 )                     | (907,963 )  |
| Investment in real estate development/other  | (195,354 )                       | (122,771 )  |
| Improvements to real estate  | (117,845 )                       | (106,441 )  |
| Additions to non-real estate property  | (4,185 )                         | (4,086 )    |
| Interest capitalized for real estate under development                                   | (17,894 )                        | (7,780 )    |
| Proceeds from disposition of real estate, net  | 839,114                          | 1,002,714   |
| Proceeds from disposition of unconsolidated entities                                     |                                  | 355         |
| Investments in unconsolidated entities   | (187 )                           | (1,030 )    |
| Distributions from unconsolidated entities return of capital                             |                                  | 92          |
| Decrease in deposits on real estate acquisitions, net                                    | 178,246                          | 10,178      |
| Decrease in mortgage deposits  | 4,314                            | 6,794       |
| <i>Consolidation of previously Unconsolidated Properties:</i>                            |                                  |             |
| Via EITF 04-5 (cash consolidated)  |                                  | 1,436       |
| Acquisition of Minority Interests Partially Owned Properties                             |                                  | (13 )       |
| Other investing activities, net  |                                  | 2           |
| Net cash (used for) investing activities   | (456,231 )                       | (128,513 )  |



**See accompanying notes**

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

|   | Six Months Ended June 30, |              |
|---|---------------------------|--------------|
|   | 2007                      | 2006         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                |                           |              |
| Loan and bond acquisition costs                             | \$ (19,384 )              | \$ (4,880 )  |
| <i>Mortgage notes payable:</i>                              |                           |              |
| Proceeds  | 262,026                   | 208,937      |
| Restricted cash   | (139,262 )                | (19,196 )    |
| Lump sum payoffs  | (310,128 )                | (232,532 )   |
| Scheduled principal repayments                              | (12,507 )                 | (13,644 )    |
| Prepayment premiums/fees                                    | (3,041 )                  | (2,892 )     |
| <i>Notes, net:</i>  |                           |              |
| Proceeds  | 993,031                   | 398,052      |
| Lump sum payoffs  | (50,000 )                 |              |
| <i>Lines of credit:</i>                                     |                           |              |
| Proceeds  | 10,703,000                | 3,207,500    |
| Repayments  | (10,383,000 )             | (3,429,500 ) |
| Proceeds from settlement of derivative instruments          | 2,370                     | 10,729       |
| Proceeds from sale of Common Shares                         | 4,520                     | 5,218        |
| Proceeds from exercise of options                           | 9,751                     | 24,159       |
| Common Shares repurchased and retired                       | (837,334 )                | (81,981 )    |
| Redemption of Preference Interests                          |                           | (25,500 )    |
| Premium on redemption of Preference Interests               |                           | (9 )         |
| Payment of offering costs                                   | (137 )                    | (23 )        |
| Other financing activities, net                             | (7 )                      |              |
| Contributions Minority Interests Partially Owned Properties | 6,941                     | 3,327        |
| <i>Distributions:</i>                                       |                           |              |
| Common Shares   | (271,049 )                | (256,591 )   |
| Preferred Shares  | (14,856 )                 | (21,243 )    |
| Preference Interests and Units                              | (446 )                    | (1,609 )     |
| Minority Interests Operating Partnership                    | (18,149 )                 | (18,012 )    |
| Minority Interests Partially Owned Properties               | (15,912 )                 | (2,184 )     |
| Net cash (used for) financing activities                    | (93,573 )                 | (251,874 )   |
| Net (decrease) in cash and cash equivalents                 | (194,011 )                | (16,656 )    |
| Cash and cash equivalents, beginning of period              | 260,277                   | 88,828       |
| Cash and cash equivalents, end of period                    | \$ 66,266                 | \$ 72,172    |

See accompanying notes

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

|   | <b>Six Months Ended June 30,</b> |               |
|---|----------------------------------|---------------|
|   | <b>2007</b>                      | <b>2006</b>   |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                                  |               |
| Cash paid during the period for interest  | \$ 251,180                       | \$ 222,774    |
| Net cash paid (received) during the period for income, franchise and excise taxes | \$ (733 )                        | \$ 7,509      |
| <i>Real estate acquisitions/dispositions/other:</i>                               |                                  |               |
| Mortgage loans assumed  | \$ 152,697                       | \$ 63,243     |
| Valuation of OP Units issued  | \$                               | \$ 46,472     |
| Mortgage loans (assumed) by purchaser   | \$ (76,744 )                     | \$ (117,949 ) |
| <i>Consolidation of previously Unconsolidated Properties Via EITF 04-5:</i>       |                                  |               |
| Investment in real estate, net  | \$                               | \$ (24,637 )  |
| Mortgage loans consolidated   | \$                               | \$ 22,545     |
| Investments in unconsolidated entities  | \$                               | \$ 2,602      |
| Net other liabilities recorded  | \$                               | \$ 926        |

See accompanying notes

**EQUITY RESIDENTIAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Business**

Equity Residential ( EQR ), a Maryland real estate investment trust ( REIT ) formed in March 1993, is an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top United States growth markets. EQR has elected to be taxed as a REIT.

EQR is the general partner of, and as of June 30, 2007 owned an approximate 93.6% ownership interest in, ERP Operating Limited Partnership, an Illinois limited partnership (the Operating Partnership ). The Company is structured as an umbrella partnership REIT ( UPREIT ), under which all property ownership and business operations are conducted through the Operating Partnership and its subsidiaries. References to the Company include EQR, the Operating Partnership and those entities owned or controlled by the Operating Partnership and/or EQR.

As of June 30, 2007, the Company, directly or indirectly through investments in title holding entities, owned all or a portion of 608 properties in 24 states and the District of Columbia consisting of 162,532 units. The ownership breakdown includes (table does not include various uncompleted development properties):

|                                | <b>Properties</b> | <b>Units</b> |
|--------------------------------|-------------------|--------------|
| Wholly Owned Properties        | 535               | 142,620      |
| Partially Owned Properties:    |                   |              |
| Consolidated                   | 27                | 5,445        |
| Unconsolidated                 | 45                | 10,846       |
| Military Housing (Fee Managed) | 1                 | 3,621        |
|                                | 608               | 162,532      |

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and certain reclassifications considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period financial statements in order to conform to the current year presentation. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2006.

*Income Taxes*

Due to the structure of the Company as a REIT and the nature of the operations of its operating properties, no provision for federal income taxes has been made at the EQR level. Historically, the Company has generally only incurred certain state and local income, excise and franchise taxes. The Company has elected Taxable REIT Subsidiary ( TRS ) status for certain of its corporate subsidiaries, primarily those entities engaged in condominium conversion and corporate housing activities and as a result, these entities will incur both federal and state income taxes on any income of such entities.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates for which the temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities are recognized in earnings in the period enacted. As of June 30, 2007, the Company has recorded a deferred tax asset which was fully offset by a valuation allowance.

*Other*

The Company adopted SFAS No. 123(R), *Share-Based Payment*, as required effective January 1, 2006, which requires all companies to expense share-based compensation, such as share options. As the Company began expensing all share-based compensation effective January 1, 2003, the adoption of SFAS No. 123(R) did not have a material effect on its consolidated statements of operations or financial position.

The Company adopted the disclosure provisions of SFAS No. 150 and FSP No. FAS 150-3, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, effective December 31, 2003. SFAS No. 150 and FSP No. FAS 150-3 require the Company to make certain disclosures regarding noncontrolling interests that are classified as equity in the financial statements of a subsidiary but would be classified as a liability in the parent's financial statements under SFAS No. 150 (e.g., minority interests in consolidated limited-life subsidiaries). The Company is presently the controlling partner in various consolidated partnerships consisting of 27 properties and 5,445 units and various uncompleted development properties having a minority interest book value of \$23.4 million at June 30, 2007. Some of these partnerships contain provisions that require the partnerships to be liquidated through the sale of its assets upon reaching a date specified in each respective partnership agreement. The Company, as controlling partner, has an obligation to cause the property owning partnerships to distribute proceeds of liquidation to the Minority Interests in these Partially Owned Properties only to the extent that the net proceeds received by the partnerships from the sale of its assets warrant a distribution based on the partnership agreements. As of June 30, 2007, the Company estimates the value of Minority Interest distributions would have been approximately \$110.5 million ( Settlement Value ) had the partnerships been liquidated. This Settlement Value is based on estimated third party consideration realized by the partnerships upon disposition of the Partially Owned Properties and is net of all other assets and liabilities, including yield maintenance on the mortgages encumbering the properties, that would have been due on June 30, 2007 had those mortgages been prepaid. Due to, among other things, the inherent uncertainty in the sale of real estate assets, the amount of any potential distribution to the Minority Interests in the Company's Partially Owned Properties is subject to change. To the extent that the partnerships' underlying assets are worth less than the underlying liabilities, the Company has no obligation to remit any consideration to the Minority Interests in Partially Owned Properties.

The Company adopted EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ( Issue 04-5 ), effective January 1, 2006. Issue 04-5 provides guidance in determining whether a general partner controls a limited partnership. The Company consolidated its Lexford syndicated portfolio consisting of 20 separate partnerships (10 properties) containing 1,272 units, all of which were sold

October 5, 2006. The adoption did not have a material effect on the results of operations or financial position.

In July 2006, the FASB ratified the consensus in FIN No. 48, *Accounting for Uncertainty in Income Taxes*. FIN No. 48 creates a single model to address uncertainty in income tax positions and prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition, and clearly scopes income taxes out of SFAS No. 5, *Accounting for Contingencies*. The Company adopted FIN No. 48 as required effective January 1, 2007. The adoption of FIN No. 48 did not have a material effect on the consolidated results of operations or financial position.

### 3. **Shareholders Equity and Minority Interests**

**The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units for the six months ended June 30, 2007:**

| 2007   |                    |
|--|--------------------|
| Common Shares outstanding at January 1,      | 293,551,633        |
| <b>Common Shares Issued:</b>                 |                    |
| Conversion of Series E Preferred Shares      | 36,831             |
| Conversion of Series H Preferred Shares      | 3,764              |
| Conversion of Series J Preference Interests  | 324,484            |
| Conversion of OP Units                       | 874,143            |
| Exercise of options                          | 304,588            |
| Employee Share Purchase Plan                 | 106,617            |
| Restricted share grants, net                 | 392,696            |
| <b>Common Shares Other:</b>                  |                    |
| Repurchased and retired                      | (18,460,206 )      |
| <b>Common Shares outstanding at June 30,</b> | <b>277,134,550</b> |

| 2007  |                    |
|---|--------------------|
| OP Units outstanding at January 1,                              | 19,914,583         |
| Conversion of OP Units to Common Shares                         | (874,143 )         |
| <b>OP Units Outstanding at June 30,</b>                         | <b>19,040,440</b>  |
| <b>Total Common Shares and OP Units Outstanding at June 30,</b> | <b>296,174,990</b> |
| OP Units Ownership Interest in Operating Partnership            | 6.4 %              |

On April 27, 2007, the Board of Trustees approved an increase of \$200.1 million to the Company's authorized share repurchase program. On May 24, 2007, the Board of Trustees approved an additional \$500.0 million share repurchase program. Considering the above additional authorizations and the repurchase activity for the six months ended June 30, 2007, EQR has \$335.8 million remaining available for share repurchases as of June 30, 2007.

During the six months ended June 30, 2007, the Company repurchased 18,460,206 of its Common Shares at an average price of \$46.91 per share for total consideration of \$866.0 million, of which \$837.3 million was paid in cash during the six months ended June 30, 2007 and \$28.7 million was accrued for at June 30, 2007 (see below). These shares were retired subsequent to the repurchase. Of the total shares repurchased, 81,106 shares were repurchased at an average price of \$54.33 per share to cover the minimum statutory tax withholding obligations related to the vesting of employees' restricted shares. The remaining 18,379,100 shares were repurchased in the open market at an average price of \$46.88 per share. As of June 30, 2007, transactions to repurchase 627,300 of the 18,460,206 Common Shares had not yet settled. As of June 30, 2007, the Company

has reduced the number of Common Shares issued and outstanding by this amount and recorded a liability of \$28.7 million included in other liabilities on the consolidated balance sheets.

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 Minority Interests Operating Partnership. Subject to certain restrictions, the Minority Interests Operating Partnership may exchange their OP Units for EQR Common Shares on a one-for-one basis.

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

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

The following table presents the Company's issued and outstanding Preferred Shares as of June 30, 2007 and December 31, 2006:

|  | Redemption<br>Date (1) (2) | Conversion<br>Rate (2) | Annual<br>Dividend per<br>Share (3) | Amounts in thousands |                      |
|--|----------------------------|------------------------|-------------------------------------|----------------------|----------------------|
|  |                            |                        |                                     | June<br>30, 2007     | December<br>31, 2006 |
| Preferred Shares of beneficial interest, \$0.01 par value;<br>100,000,000 shares authorized:   |                            |                        |                                     |                      |                      |
| 8.60% Series D Cumulative Redeemable Preferred;<br>liquidation value \$250 per share; 700,000 shares issued<br>and outstanding at June 30, 2007 and December 31, 2006                              | 7/15/07                    | N/A                    | (5 )                                | \$ 175,000           | \$ 175,000           |
| 7.00% Series E Cumulative Convertible Preferred;<br>liquidation value \$25 per share; 401,716 and 434,816<br>shares issued and outstanding at June 30, 2007 and<br>December 31, 2006, respectively | 11/1/98                    | 1.1128                 | \$ 1.75                             | 10,043               | 10,871               |
| 7.00% Series H Cumulative Convertible Preferred;<br>liquidation value \$25 per share; 25,534 and 28,134 shares<br>issued and outstanding at June 30, 2007 and December<br>31, 2006, respectively   | 6/30/98                    | 1.4480                 | \$ 1.75                             | 638                  | 703                  |
| 8.29% Series K Cumulative Redeemable Preferred;<br>liquidation value \$50 per share; 1,000,000 shares issued<br>and outstanding at June 30, 2007 and December 31, 2006                             | 12/10/26                   | N/A                    | \$ 4.145                            | 50,000               | 50,000               |
| 6.48% Series N Cumulative Redeemable Preferred;<br>liquidation value \$250 per share; 600,000 shares issued<br>and outstanding at June 30, 2007 and December 31, 2006<br>(4)                       | 6/19/08                    | N/A                    | \$ 16.20                            | 150,000              | 150,000              |
|  |                            |                        |                                     | \$ 385,681           | \$ 386,574           |



The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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- (1) On or after the redemption date, redeemable preferred shares (Series K and N) may be redeemed for cash at the option of the Company, in whole or in part, at a redemption price equal to the liquidation price per share, plus accrued and unpaid distributions, if any.
- (2) On or after the redemption date, convertible preferred shares (Series E & H) may be redeemed under certain circumstances at the option of the Company for cash (in the case of Series E) or Common Shares (in the case of Series H), in whole or in part, at various redemption prices per share based upon the contractual conversion rate, plus accrued and unpaid distributions, if any.
- (3) Dividends on all series of Preferred Shares are payable quarterly at various pay dates. The dividend listed for Series N is a Preferred Share rate and the equivalent Depositary Share annual dividend is \$1.62 per share.
- (4) The Series N Preferred Shares have a corresponding depositary share that consists of ten times the number of shares and one-tenth the liquidation value and dividend per share.
- (5) On May 25, 2007, the Company issued an irrevocable notice to redeem for cash on July 16, 2007 all 700,000 shares of its Series D Preferred Shares. The Company will record the write-off of approximately \$6.1 million in original costs as a premium on redemption of Preferred Shares in the third quarter of 2007.

The following table presents the issued and outstanding Preference Interests as of June 30, 2007 and December 31, 2006:

|  | Redemption Date (1) (2) | Conversion Rate (2) | Annual Dividend per Unit (3) | Amounts in thousands |                   |
|--|-------------------------|---------------------|------------------------------|----------------------|-------------------|
|  |                         |                     |                              | June 30, 2007        | December 31, 2006 |
| Preference Interests:  |                         |                     |                              |                      |                   |
| 7.625% Series J Cumulative Convertible Redeemable Preference Units; liquidation value \$50 per unit; 0 and 230,000 units issued and outstanding at June 30, 2007 and December 31, 2006, respectively |                         |                     |                              |                      |                   |
|  | 12/14/06                | 1.4108              | (4 )                         | \$ 11,500            | \$ 11,500         |

- (1) On or after the fifth anniversary of the issuance (the Redemption Date ), the Series J Preference Interests were redeemable for cash at the option of the Company, in whole or in part, at any time or from time to time, at a redemption price equal to the liquidation preference of \$50.00 per unit plus the cumulative amount of accrued and unpaid distributions, if any.
- (2) On or after the tenth anniversary of the issuance (the Conversion Date ), the Series J Preference Interests were exchangeable at the option of the holder (in whole but not in part) on a one-for-one basis for a respective reserved series of EQR Preferred Share. In addition, on or after the Conversion Date, the Series J Preference Interests were convertible under certain circumstances at the option of the holder (in whole but not in part) to Common Shares based upon the contractual conversion rate, plus accrued and unpaid distributions, if any. Prior to the Conversion Date, the Series J Preference Interests were convertible under certain circumstances at the option of the holder (in whole but not in part) to Common Shares based upon the contractual conversion rate, plus accrued and unpaid distributions, if any, if the issuer called the series for redemption (the Accelerated Conversion Right ).

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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(3) Dividends on the Series J Preference Interests were payable quarterly on March 25<sup>th</sup>, June 25<sup>th</sup>, September 25<sup>th</sup> and December 25<sup>th</sup> of each year.

(4) On May 24, 2007, the Company issued an irrevocable notice to redeem for cash on June 25, 2007 all 230,000 units of its 7.625% Series J Preference Interests with a liquidation value of \$11.5 million. This notice triggered the holder's Accelerated Conversion Right, which they exercised. As a result, effective June 25, 2007, the 230,000 units were converted into 324,484 Common Shares.

The following table presents the Operating Partnership's issued and outstanding Junior Convertible Preference Units (the Junior Preference Units) as of June 30, 2007 and December 31, 2006:

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|  | Redemption<br>Date (2) | Conversion<br>Rate (2) | Annual<br>Dividend<br>per Unit (1) | Amounts in thousands |                      |
|--|------------------------|------------------------|------------------------------------|----------------------|----------------------|
|  |                        |                        |                                    | June<br>30, 2007     | December<br>31, 2006 |
| Junior Preference Units:   |                        |                        |                                    |                      |                      |
| Series B Junior Convertible Preference Units; liquidation value \$25 per unit; 7,367 units issued and outstanding at June 30, 2007 and December 31, 2006 |                        |                        |                                    |                      |                      |
|  | 07/29/09               | 1.020408               | \$ 2.00                            | \$ 184               | \$ 184               |
|  |                        |                        |                                    | \$ 184               | \$ 184               |

(1) Dividends on the Junior Preference Units are payable quarterly at various pay dates.

(2) On or after the tenth anniversary of the issuance (the Redemption Date), the Series B Junior Preference Units may be converted into OP Units at the option of the Operating Partnership based on the contractual conversion rate. Prior to the Redemption Date, the holders may elect to convert the Series B Junior Preference Units to OP Units under certain circumstances based on the contractual conversion rate. The contractual rate is based upon a ratio dependent upon the closing price of EQR's Common Shares.

#### 4. Real Estate

The following table summarizes the carrying amounts for investment in real estate (at cost) as of June 30, 2007 and December 31, 2006 (Amounts in thousands):

|                                   | June 30, 2007 | December 31, 2006 |
|-----------------------------------|---------------|-------------------|
| Land                              | \$ 3,582,455  | \$ 3,217,672      |
| Depreciable property:             |               |                   |
| Buildings and improvements        | 12,970,642    | 12,563,807        |
| Furniture, fixtures and equipment | 885,339       | 812,552           |
| Projects under development:       |               |                   |
| Land                              | 113,513       | 137,505           |
| Construction-in-progress          | 279,103       | 261,626           |
| Land held for development:        |               |                   |
| Land                              | 263,114       | 202,695           |
| Construction-in-progress          | 50,246        | 39,318            |
| Investment in real estate         | 18,144,412    | 17,235,175        |
| Accumulated depreciation          | (3,125,555)   | (3,022,480)       |
| Investment in real estate, net    | \$ 15,018,857 | \$ 14,212,695     |

During the six months ended June 30, 2007, the Company acquired the following from unaffiliated parties (purchase price in thousands):

|                     | Properties | Units | Purchase<br>Price |
|---------------------|------------|-------|-------------------|
| Rental Properties   | 28         | 6,209 | \$ 1,225,785      |
| Land Parcels (five) |            |       | 65,450            |
|                     | 28         | 6,209 | \$ 1,291,235      |

During the six months ended June 30, 2007, the Company disposed of the following to unaffiliated parties (sales price in thousands):

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

|                    | Properties | Units  | Sales Price |
|--------------------|------------|--------|-------------|
| Rental Properties  | 37         | 10,018 | \$ 790,629  |
| Condominium Units  | 4          | 383    | 103,058     |
| Land Parcels (one) |            |        | 40,662      |
|                    | 41         | 10,401 | \$ 934,349  |

The Company recognized a net gain on sales of discontinued operations and a net gain on sales of land parcels of approximately \$385.3 million and \$4.5 million, respectively, on the above sales.

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

As of August 1, 2007, in addition to the properties that were subsequently acquired as discussed in Note 16, the Company had entered into separate agreements to acquire the following (purchase price in thousands):

|                      | Properties/<br>Parcels | Units | Purchase<br>Price |
|----------------------|------------------------|-------|-------------------|
| Operating Properties | 5                      | 1,061 | \$ 329,400        |
| Land Parcels         | 5                      |       | 143,653           |
| Total                | 10                     | 1,061 | \$ 473,053        |

As of August 1, 2007, in addition to the properties that were subsequently disposed as discussed in Note 16, the Company had entered into separate agreements to dispose of the following (sales price in thousands):

|                      | Properties/<br>Parcels | Units | Sales Price |
|----------------------|------------------------|-------|-------------|
| Operating Properties | 31                     | 9,132 | \$ 771,604  |
| Land Parcels         | 2                      |       | 8,200       |
| Total                | 33                     | 9,132 | \$ 779,804  |

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

## 6. Investments in Partially Owned Entities

The Company has co-invested in various properties with unrelated third parties which are either consolidated or accounted for under the equity method of accounting (unconsolidated). The following table summarizes the Company's investments in partially owned entities as of June 30, 2007 (amounts in thousands except for project and unit amounts):

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|                    | Consolidated<br>Development Projects<br>Held for<br>and/or Under<br>Development |                             |           |                                 | Total      | Unconsolidated |
|--------------------|---|-----------------------------|-----------|---------------------------------|------------|----------------|
|                    | Completed, Not<br>Stabilized (4)  | Completed and<br>Stabilized | Other     | Institutional<br>Joint Ventures |            |                |
| Total projects (1) | 2   | 4                           | 21        | 27                              | 45         |                |
| Total units (1)    | 572   | 977                         | 3,896     | 5,445                           | 10,846     |                |
| Debt Secured (2):  |   |                             |           |                                 |            |                |
| EQR Ownership (3)  | \$ 262,878  | \$ 97,596                   | \$ 61,000 | \$ 286,891                      | \$ 708,365 |                |
| Minority Ownership |   |                             |           | 13,321                          | 13,321     |                |
| Total (at 100%)    | \$ 262,878  | \$ 97,596                   | \$ 61,000 | \$ 300,212                      | \$ 721,686 |                |

(1) Project and unit counts exclude all uncompleted development projects until those projects are substantially completed.

(2) All debt is non-recourse to the Company with the exception of \$28.3 million in mortgage bonds on one development project.

(3) Represents the Company's current economic ownership interest.

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

## 7. Deposits Restricted

The following table presents the deposits restricted as of June 30, 2007 and December 31, 2006 (amounts in thousands):

|  | June<br>30, 2007 | December<br>31, 2006 |
|--|------------------|----------------------|
| Tax-deferred (1031) exchange proceeds  | \$ 112,588       | \$ 299,392           |
| Earnest money on pending acquisitions  | 14,070           | 13,170               |
| Other acquisitions                     | 7,658            |                      |
| Restricted deposits on debt (1)        | 159,435          | 22,917               |
| Resident security and utility deposits | 39,852           | 36,260               |
| Other                                  | 17,331           | 20,086               |
| Totals                                 | \$ 350,934       | \$ 391,825           |

(1) Primarily represents amounts held in escrow by the lender and released as draw requests are made on fully-funded development mortgage loans.

## 8. Mortgage Notes Payable

As of June 30, 2007, the Company had outstanding mortgage debt of approximately \$3.2 billion.

During the six months ended June 30, 2007, the Company:

- Repaid \$322.6 million of mortgage loans;

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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- Assumed \$152.7 million of mortgage debt on certain properties in connection with their acquisitions;
- Obtained \$262.0 million of new mortgage loans on certain properties; and
- Was released from \$76.7 million of mortgage debt assumed by the purchaser on disposed properties.

The Company recorded approximately \$3.0 million and \$3.4 million of prepayment penalties and write-offs of unamortized deferred financing costs, respectively, as additional interest related to debt extinguishment of mortgages during the six months ended June 30, 2007.



As of June 30, 2007, scheduled maturities for the Company's outstanding mortgage indebtedness were at various dates through September 1, 2045. At June 30, 2007, the interest rate range on the Company's mortgage debt was 3.32% to 12.465%. During the six months ended June 30, 2007, the weighted average interest rate on the Company's mortgage debt was 5.73%.

## 9. Notes

As of June 30, 2007, the Company had outstanding unsecured notes of approximately \$5.4 billion.

During the six months ended June 30, 2007, the Company:

- Issued \$350.0 million of five year 5.50% fixed rate public notes, receiving net proceeds of \$346.1 million;
- Issued \$650.0 million of ten year 5.75% fixed rate public notes, receiving net proceeds of \$640.6 million; and
- Repaid \$50.0 million of 7.625% fixed rate public notes at maturity.

As of June 30, 2007, scheduled maturities for the Company's outstanding notes were at various dates through 2029. At June 30, 2007, the interest rate range on the Company's notes was 3.85% to 7.57%. During the six months ended June 30, 2007, the weighted average interest rate on the Company's notes was 5.66%.

## 10. Lines of Credit

On February 28, 2007, the Operating Partnership entered into an unsecured revolving credit facility with potential borrowings of up to \$1.5 billion maturing on February 28, 2012. The Operating Partnership 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. Advances under the credit facility 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 on bids received from the lending group. EQR has guaranteed the Operating Partnership's credit facility up to the maximum amount and for the full term of the facility.

On April 1, 2005, the Operating Partnership obtained a three-year \$1.0 billion unsecured revolving credit facility maturing on May 29, 2008. Advances under the credit facility bore interest at variable rates based upon LIBOR at various interest periods plus a spread dependent upon the Operating Partnership's credit rating or based on bids received from the lending group. EQR guaranteed the Operating Partnership's credit facility up to the maximum amount and for the full term of the facility. This credit facility was repaid in full and terminated on February 28, 2007. The Company recorded \$0.4 million of write-offs of unamortized deferred financing costs as additional interest in connection with this termination.

On May 7, 2007, the Operating Partnership obtained a one-year \$500.0 million unsecured revolving credit facility maturing on May 5, 2008. Advances under this facility bore interest at variable rates based on LIBOR at various interest periods plus a spread dependent upon the Operating Partnership's credit rating. EQR guaranteed this credit facility up to the maximum amount and for its full term. This credit facility was repaid in full and terminated on June 4, 2007.

As of June 30, 2007, \$780.0 million was outstanding and \$70.6 million was restricted (dedicated to support letters of credit and not available for borrowing) on the \$1.5 billion revolving credit facility. During the six months ended June 30, 2007, the weighted average interest rate under the credit facilities was 5.65%.

## 11. Derivative Instruments

The following table summarizes the consolidated derivative instruments at June 30, 2007 (dollar

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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amounts are in thousands):

|  | Fair Value<br>Hedges (1) | Development<br>Cash Flow<br>Hedges (2) |        |   |
|--|--------------------------|--|--------|---|
| Current Notional Balance               | \$ 370,000               | \$ 27,970                              |        |   |
| Lowest Possible Notional               | \$ 370,000               | \$ 17,942                              |        |   |
| Highest Possible Notional              | \$ 370,000               | \$ 131,675                             |        |   |
| Lowest Interest Rate                   | 3.245                    | %                                      | 4.928  | % |
| Highest Interest Rate                  | 3.787                    | %                                      | 5.850  | % |
| Earliest Maturity Date                 | 2009                     |  | 2009   |   |
| Latest Maturity Date                   | 2009                     |  | 2009   |   |
| Estimated Asset (Liability) Fair Value | \$ (12,196 )             |  | \$ 391 |   |

(1) Fair Value Hedges Converts outstanding fixed rate debt to a floating interest rate.

(2) Development Cash Flow Hedges Converts outstanding floating rate debt to a fixed interest rate (swaps) and/or locks-in a maximum interest rate (caps).

On June 30, 2007, the net derivative instruments were reported at their fair value as other liabilities of approximately \$12.2 million and other assets of \$391,000. As of June 30, 2007, there were approximately \$7.7 million in deferred losses, net, included in accumulated other comprehensive loss. Based on the estimated fair values of the net derivative instruments at June 30, 2007, the Company may recognize an estimated \$1.8 million of accumulated other comprehensive loss as additional interest expense during the twelve months ending June 30, 2008.

In June 2007, the Company received approximately \$2.4 million to terminate five forward starting swaps in conjunction with the issuance of \$650.0 million of ten year unsecured notes. The majority of the \$2.4 million has been deferred as a component of accumulated other comprehensive loss and will be recognized as a reduction of interest expense over the life of the unsecured notes.

## 12. Earnings Per Share

The following tables set forth the computation of net income per share basic and net income per share diluted (amounts in thousands except per share amounts):

|   | Six Months Ended<br>June 30, |            | Quarter Ended<br>June 30, |            |
|---|------------------------------|------------|---------------------------|------------|
|   | 2007                         | 2006       | 2007                      | 2006       |
| <b>Numerator for net income per share basic:</b>  |                              |            |                           |            |
| Income from continuing operations, net of minority interests                            | \$ 46,668                    | \$ 45,728  | \$ 29,133                 | \$ 28,811  |
| Preferred distributions   | (14,840 )                    | (20,168 )  | (7,416 )                  | (10,073 )  |
| Income from continuing operations available to Common Shares, net of minority interests | 31,828                       | 25,560     | 21,717                    | 18,738     |
| Discontinued operations, net of minority interests                                      | 361,970                      | 492,244    | 253,268                   | 131,346    |
| Numerator for net income per share basic  | \$ 393,798                   | \$ 517,804 | \$ 274,985                | \$ 150,084 |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| <b>Numerator for net income per share diluted:</b>           |           |           |           |           |
| Income from continuing operations, net of minority interests | \$ 46,668 | \$ 45,728 | \$ 29,133 | \$ 28,811 |
| Preferred distributions                                      | (14,840 ) | (20,168 ) | (7,416 )  | (10,073 ) |
| Effect of dilutive securities:                               |           |           |           |           |
| Allocation to Minority Interests Operating Partnership, net  | 2,097     | 1,828     | 1,449     | 1,317     |
| Income from continuing operations available to Common Shares | 33,925    | 27,388    | 23,166    | 20,055    |
| Discontinued operations                                      | 385,978   | 526,915   | 270,038   | 140,568   |

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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|                                    |         |    |         |    |         |    |         |    |         |
|------------------------------------|---------|----|---------|----|---------|----|---------|----|---------|
| Numerator for net income per share | diluted | \$ | 419,903 | \$ | 554,303 | \$ | 293,204 | \$ | 160,623 |
|------------------------------------|---------|----|---------|----|---------|----|---------|----|---------|

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

|  | Six Months Ended |          | Quarter Ended    |          |
|--|------------------|----------|------------------|----------|
|  | June 30,<br>2007 | 2006     | June 30,<br>2007 | 2006     |
| <b>Denominator for net income per share basic and diluted:</b>                             |                  |          |                  |          |
| Denominator for net income per share basic   | 288,316          | 289,172  | 284,424          | 289,460  |
| Effect of dilutive securities:   |                  |          |                  |          |
| OP Units   | 19,266           | 20,506   | 19,087           | 20,557   |
| Share options/restricted shares  | 4,381            | 4,742    | 4,120            | 4,681    |
| Denominator for net income per share diluted   | 311,963          | 314,420  | 307,631          | 314,698  |
| Net income per share basic   | \$ 1.37          | \$ 1.79  | \$ 0.97          | \$ 0.52  |
| Net income per share diluted   | \$ 1.35          | \$ 1.76  | \$ 0.95          | \$ 0.51  |
| <b>Net income per share basic:</b>   |                  |          |                  |          |
| Income from continuing operations available to Common Shares,<br>net of minority interests | \$ 0.110         | \$ 0.089 | \$ 0.076         | \$ 0.065 |
| Discontinued operations, net of minority interests   | 1.256            | 1.702    | 0.891            | 0.453    |
| Net income per share basic   | \$ 1.366         | \$ 1.791 | \$ 0.967         | \$ 0.518 |
| <b>Net income per share diluted:</b>   |                  |          |                  |          |
| Income from continuing operations available to Common Shares                               | \$ 0.109         | \$ 0.087 | \$ 0.075         | \$ 0.064 |
| Discontinued operations  | 1.237            | 1.676    | 0.878            | 0.446    |
| Net income per share diluted   | \$ 1.346         | \$ 1.763 | \$ 0.953         | \$ 0.510 |

Convertible preferred shares/units that could be converted into 828,112 and 1,443,935 weighted average Common Shares for the six months ended June 30, 2007 and 2006, respectively, and 803,346 and 1,274,295 weighted average Common Shares for the quarters ended June 30, 2007 and 2006, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effects would be anti-dilutive. In addition, the effect of the Common Shares that could ultimately be issued upon the conversion/exchange of the Operating Partnership's \$650.0 million exchangeable senior notes were not included in the computation of diluted earnings per share because the effects would be anti-dilutive.

### 13. Discontinued Operations

The Company has presented separately as discontinued operations in all periods the results of operations for all consolidated assets disposed of on or after January 1, 2002 (the date of adoption of SFAS No. 144) and all operations related to condominium conversion properties effective upon their respective transfer into a TRS.

The components of discontinued operations are outlined below and include the results of operations for the respective periods that the Company owned such assets during the six months and quarters ended June 30, 2007 and 2006 (amounts in thousands).

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|   | Six Months Ended June 30, |            | Quarter Ended June 30, |            |
|---|---------------------------|------------|------------------------|------------|
|   | 2007                      | 2006       | 2007                   | 2006       |
| <b>REVENUES</b>   |                           |            |                        |            |
| Rental income   | \$ 31,880                 | \$ 164,992 | \$ 8,591               | \$ 75,261  |
| Total revenues  | 31,880                    | 164,992    | 8,591                  | 75,261     |
| <b>EXPENSES (1)</b>   |                           |            |                        |            |
| Property and maintenance  | 15,469                    | 56,322     | 6,523                  | 26,571     |
| Real estate taxes and insurance                                     | 4,695                     | 22,000     | 1,224                  | 10,014     |
| Property management   | 272                       | 5,937      | 69                     | 3,146      |
| Depreciation  | 7,689                     | 39,789     | 2,035                  | 17,930     |
| General and administrative  | 11                        | 482        | 9                      | 271        |
| Impairment  |                           | 351        |                        | 125        |
| Total expenses  | 28,136                    | 124,881    | 9,860                  | 58,057     |
| Discontinued operating income (loss)                                | 3,744                     | 40,111     | (1,269)                | 17,204     |
| Interest and other income   | 130                       | 1,134      | 43                     | 154        |
| Interest (2):   |                           |            |                        |            |
| Expense incurred, net   | (1,897)                   | (15,864)   | (987)                  | (5,982)    |
| Amortization of deferred financing costs                            | (1,322)                   | (763)      | (1,305)                | (604)      |
| Discontinued operations   | 655                       | 24,618     | (3,518)                | 10,772     |
| Minority Interests Operating Partnership                            | (41)                      | (1,620)    | 218                    | (707)      |
| Discontinued operations, net of minority interests                  | 614                       | 22,998     | (3,300)                | 10,065     |
| Net gain on sales of discontinued operations                        | 385,323                   | 502,297    | 273,556                | 129,796    |
| Minority Interests Operating Partnership                            | (23,967)                  | (33,051)   | (16,988)               | (8,515)    |
| Gain on sales of discontinued operations, net of minority interests | 361,356                   | 469,246    | 256,568                | 121,281    |
| Discontinued operations, net of minority interests                  | \$ 361,970                | \$ 492,244 | \$ 253,268             | \$ 131,346 |

(1) Includes expenses paid in the current period for properties sold or held for sale in prior periods related to the Company's period of ownership.

(2) Includes only interest expense specific to secured mortgage notes payable for properties sold and/or held for sale.

For the properties sold during the six months ended June 30, 2007 (excluding condominium conversion properties), the investment in real estate, net of accumulated depreciation, and the mortgage notes payable balances at December 31, 2006 were \$454.8 million and \$85.6 million, respectively.

The net real estate basis of the Company's condominium conversion properties owned by the TRS and included in discontinued operations (excludes the Company's five halted conversions as they are now held for use), which were included in investment in real estate, net in the consolidated balance sheets, was \$108.6 million and \$95.4 million at June 30, 2007 and December 31, 2006, respectively.

#### 14. Commitments and Contingencies

The Company, as an owner of real estate, is subject to various Federal, state and local environmental laws. Compliance by the Company with existing laws has not had a material adverse effect on the Company. However, the Company cannot predict the impact of new or changed laws or regulations on its current properties or on properties that it may acquire in the future.

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 and as a result, no amounts have been accrued at June 30, 2007. While no assurances can be given, the Company does not believe that the suit, if adversely determined, will 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, reasonably may be expected to have a material adverse effect on the Company.

During the years ended December 31, 2005 and 2004, the Company established a reserve and recorded a corresponding expense, net of insurance receivables, for estimated uninsured property damage at certain of its properties caused by various hurricanes in each respective year. During the six months ended June 30, 2007, the Company received \$3.8 million in insurance proceeds and recorded an additional \$2.8 million of receivables in anticipation of proceeds expected. As of June 30, 2007, a receivable of \$4.1 million and a liability of \$1.7 million are included in other assets and other liabilities, respectively, on the consolidated balance sheets.

**As of June 30, 2007, the Company has nine projects totaling 3,026 units in various stages of development with estimated completion dates ranging through September 30, 2009. Some of the projects are developed solely by the Company, while others are co-developed with various third party development partners. The development venture agreements with partners are primarily deal-specific, with differing terms regarding profit-sharing, equity contributions, returns on investment, buy-sell agreements and other customary provisions. The partner is most often the general or managing partner of the development venture. The typical buy-sell arrangements contain appraisal rights and provisions that provide the right, but not the obligation, for the Company to acquire the partner's interest in the project at fair market value upon the expiration of a negotiated time period (typically two to five years after substantial completion of the project). However, the buy-sell provisions with one partner covering three projects does require the Company to purchase the partner's interest in the projects at fair market value five years following the receipt of the final certificate of occupancy on the last developed property.**

## 15. Reportable Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by senior management. Senior management decides how resources are allocated and assesses performance on a monthly basis.

The Company's primary business is owning, managing, and operating multifamily residential properties, which includes the generation of rental and other related income through the leasing of apartment units to residents. Senior management evaluates the performance of each of our apartment communities individually and geographically, and both on a same store and non-same store basis; however, each of our apartment communities generally has similar economic characteristics, residents, and products and services. The Company's operating segments have been aggregated by geography in a manner identical to that which is provided to its chief operating decision maker.

The Company's fee and asset management, development (including FIN No. 46 partially owned

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properties), condominium conversion and corporate housing (Equity Corporate Housing or ECH ) activities are immaterial and do not individually meet the threshold requirements of a reportable segment as provided for in SFAS No. 131 and as such, have been aggregated in the tables presented below.

All revenues are from external customers and there is no customer who contributed 10% or more of the Company's total revenues during the six months and quarters ended June 30, 2007 and 2006, respectively.

The primary financial measure for the Company's rental real estate segment is net operating income ( NOI ), which represents rental income less: 1) property and maintenance expense; 2) real estate taxes and insurance expense; and 3) property management expense (all as reflected in the accompanying consolidated statements of operations). The Company believes that NOI is helpful to investors as a supplemental measure of the operating performance of a real estate company because it is a direct measure of the actual operating results of the Company's apartment communities. Current year NOI is compared to prior year NOI and current year budgeted NOI as a measure of financial performance. The following tables present NOI for each segment from our rental real estate specific to continuing operations for the six months ended June 30, 2007 and 2006, respectively, as well as total assets at June 30, 2007 (amounts in thousands):

|                              | Six Months Ended June 30, 2007 |              |              |              | Total         |
|------------------------------|--------------------------------|--------------|--------------|--------------|---------------|
|                              | Northeast                      | South        | West         | Other (3)    |               |
| <b>Rental income:</b>        |                                |              |              |              |               |
| Same store (1)               | \$ 243,899                     | \$ 304,362   | \$ 321,737   | \$           | \$ 869,998    |
| Non-same store/other (2) (3) | 34,065                         | 50,201       | 36,092       | 47,312       | 167,670       |
| Total rental income          | 277,964                        | 354,563      | 357,829      | 47,312       | 1,037,668     |
| <b>Operating expenses:</b>   |                                |              |              |              |               |
| Same store (1)               | 93,531                         | 124,595      | 111,370      |              | 329,496       |
| Non-same store/other (2) (3) | 15,869                         | 20,695       | 14,505       | 52,507       | 103,576       |
| Total operating expenses     | 109,400                        | 145,290      | 125,875      | 52,507       | 433,072       |
| <b>NOI:</b>                  |                                |              |              |              |               |
| Same store (1)               | 150,368                        | 179,767      | 210,367      |              | 540,502       |
| Non-same store/other (2) (3) | 18,196                         | 29,506       | 21,587       | (5,195 )     | 64,094        |
| Total NOI                    | \$ 168,564                     | \$ 209,273   | \$ 231,954   | \$ (5,195 )  | \$ 604,596    |
| Total assets                 | \$ 4,482,793                   | \$ 4,562,317 | \$ 4,867,696 | \$ 1,755,858 | \$ 15,668,664 |

(1) Properties owned for all of both periods ending June 30, 2007 and June 30, 2006 which represented 127,396 units.

(2) Properties acquired after January 1, 2006.

(3) Other includes ECH, development, condominium conversion overhead of \$2.4 million and other corporate operations. Also reflects the \$8.6 million elimination of rental income recorded in Northeast, South and West operating segments related to ECH.



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|                              | Six Months Ended June 30, 2006 |            |            |           | Total      |
|------------------------------|--------------------------------|------------|------------|-----------|------------|
|                              | Northeast                      | South      | West       | Other (3) |            |
| <b>Rental income:</b>        |                                |            |            |           |            |
| Same store (1)               | \$ 233,466                     | \$ 292,341 | \$ 304,477 | \$        | \$ 830,284 |
| Non-same store/other (2) (3) | 19,757                         | 11,205     | 9,273      | 39,723    | 79,958     |
| Total rental income          | 253,223                        | 303,546    | 313,750    | 39,723    | 910,242    |
| <b>Operating expenses:</b>   |                                |            |            |           |            |
| Same store (1)               | 89,561                         | 119,891    | 107,835    |           | 317,287    |
| Non-same store/other (2) (3) | 8,844                          | 4,726      | 4,165      | 39,196    | 56,931     |
| Total operating expenses     | 98,405                         | 124,617    | 112,000    | 39,196    | 374,218    |
| <b>NOI:</b>                  |                                |            |            |           |            |
| Same store (1)               | 143,905                        | 172,450    | 196,642    |           | 512,997    |
| Non-same store/other (2) (3) | 10,913                         | 6,479      | 5,108      | 527       | 23,027     |
| Total NOI                    | \$ 154,818                     | \$ 178,929 | \$ 201,750 | \$ 527    | \$ 536,024 |

(1) Properties owned for all of both periods ending June 30, 2007 and June 30, 2006 which represented 127,396 units.

(2) Properties acquired after January 1, 2006.

(3) Other includes ECH, condominium conversion overhead of \$2.9 million, hurricane related property damage net of reimbursement from insurance companies and other corporate operations. Also reflects the \$7.1 million elimination of rental income recorded in Northeast, South and West operating segments related to ECH.

The following tables present NOI for each segment from our rental real estate specific to continuing operations for the quarters ended June 30, 2007 and 2006, respectively (amounts in thousands):

|                              | Quarter Ended June 30, 2007 |            |            |             | Total      |
|------------------------------|-----------------------------|------------|------------|-------------|------------|
|                              | Northeast                   | South      | West       | Other (3)   |            |
| <b>Rental income:</b>        |                             |            |            |             |            |
| Same store (1)               | \$ 124,134                  | \$ 157,125 | \$ 166,221 | \$          | \$ 447,480 |
| Non-same store/other (2) (3) | 23,007                      | 30,573     | 17,040     | 11,210      | 81,830     |
| Total rental income          | 147,141                     | 187,698    | 183,261    | 11,210      | 529,310    |
| <b>Operating expenses:</b>   |                             |            |            |             |            |
| Same store (1)               | 46,026                      | 64,129     | 56,071     |             | 166,226    |
| Non-same store/other (2) (3) | 10,583                      | 12,546     | 6,713      | 18,328      | 48,170     |
| Total operating expenses     | 56,609                      | 76,675     | 62,784     | 18,328      | 214,396    |
| <b>NOI:</b>                  |                             |            |            |             |            |
| Same store (1)               | 78,108                      | 92,996     | 110,150    |             | 281,254    |
| Non-same store/other (2) (3) | 12,424                      | 18,027     | 10,327     | (7,118 )    | 33,660     |
| Total NOI                    | \$ 90,532                   | \$ 111,023 | \$ 120,477 | \$ (7,118 ) | \$ 314,914 |

(1) Properties owned for all of both quarters ending June 30, 2007 and June 30, 2006 which represented 130,175 units.

(2) Properties acquired after April 1, 2006.

(3) Other includes ECH, development, condominium conversion overhead of \$1.2 million and other corporate operations. Also reflects the \$4.4 million elimination of rental income recorded in Northeast, South and West operating segments related to ECH.

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units



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|                              | Quarter Ended June 30, 2006 |            |            |             | Total      |
|------------------------------|-----------------------------|------------|------------|-------------|------------|
|                              | Northeast                   | South      | West       | Other (3)   |            |
| <b>Rental income:</b>        |                             |            |            |             |            |
| Same store (1)               | \$ 119,274                  | \$ 151,842 | \$ 157,716 | \$          | \$ 428,832 |
| Non-same store/other (2) (3) | 15,283                      | 11,403     | 2,816      | 6,879       | 36,381     |
| Total rental income          | 134,557                     | 163,245    | 160,532    | 6,879       | 465,213    |
| <b>Operating expenses:</b>   |                             |            |            |             |            |
| Same store (1)               | 44,238                      | 62,611     | 55,229     |             | 162,078    |
| Non-same store/other (2) (3) | 7,048                       | 4,910      | 1,278      | 13,718      | 26,954     |
| Total operating expenses     | 51,286                      | 67,521     | 56,507     | 13,718      | 189,032    |
| <b>NOI:</b>                  |                             |            |            |             |            |
| Same store (1)               | 75,036                      | 89,231     | 102,487    |             | 266,754    |
| Non-same store/other (2) (3) | 8,235                       | 6,493      | 1,538      | (6,839 )    | 9,427      |
| Total NOI                    | \$ 83,271                   | \$ 95,724  | \$ 104,025 | \$ (6,839 ) | \$ 276,181 |

(1) Properties owned for all of both quarters ending June 30, 2007 and June 30, 2006 which represented 130,175 units.

(2) Properties acquired after April 1, 2006

(3) Other includes ECH, condominium conversion overhead of \$1.2 million, hurricane related property damage net of reimbursement from insurance companies and other corporate operations. Also reflects the \$3.7 million elimination of rental income recorded in Northeast, South and West operating segments related to ECH.

Note: Markets included in the above geographic segments are as follows:

(a) Northeast New England (excl Boston), Boston, New York Metro, DC Northern Virginia, Suburban Maryland, Chicago, Milwaukee and Minneapolis/St. Paul.

(b) South Charlotte, Raleigh/Durham, Atlanta, Jacksonville, Orlando, Tampa/Ft. Myers, South Florida, Nashville, Tulsa, Austin, Houston, Dallas/Ft. Worth, Albuquerque and Phoenix.

(c) West Seattle/Tacoma, Portland, Central Valley, San Francisco Bay Area, Inland Empire, Los Angeles, Orange County, San Diego and Denver.

The following table presents a reconciliation of NOI from our rental real estate specific to continuing operations for the six months and quarters ended June 30, 2007 and 2006, respectively (amounts in thousands):

|   | Six Months Ended June 30, |            | Quarter Ended June 30, |            |
|---|---------------------------|------------|------------------------|------------|
|   | 2007                      | 2006       | 2007                   | 2006       |
| Rental income                           | \$1,037,668               | \$910,242  | \$529,310              | \$465,213  |
| Property and maintenance expense        | (273,801 )                | (238,594 ) | (136,682 )             | (120,823 ) |
| Real estate taxes and insurance expense | (112,017 )                | (88,963 )  | (55,302 )              | (45,132 )  |
| Property management expense             | (47,254 )                 | (46,661 )  | (22,412 )              | (23,077 )  |
| Total operating expenses                | (433,072 )                | (374,218 ) | (214,396 )             | (189,032 ) |
| Net operating income                    | \$604,596                 | \$536,024  | \$314,914              | \$276,181  |

## 16. Subsequent Events/Other

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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*Subsequent Events*

Subsequent to June 30, 2007 and through August 1, 2007, the Company:

- Acquired three residential properties consisting of 830 units and two land parcels for \$196.9 million;
- Sold six residential properties consisting of 2,363 units for \$381.5 million (excluding condominium units);

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

- Repaid \$26.9 million of mortgage loans;
- Repaid \$50.0 million of 6.9% fixed rate public notes at maturity;
- Obtained \$338.0 million in mortgage debt; and
- Redeemed its \$175.0 million Series D Preferred Shares (see Note 3).

Subsequent to June 30, 2007 and through August 3, 2007, the Company repurchased 2,739,000 Common Shares at an average price of \$42.12 per share for total consideration of \$115.4 million, leaving \$220.5 million remaining available for share repurchases.

*Other*

The Company incurred impairment losses of approximately \$0.4 million and \$1.2 million (including discontinued operations) for the six months ended June 30, 2007 and 2006, respectively, as a result of the write-off of various pursuit and out-of-pocket costs for terminated acquisition, disposition (including halted condominium conversions) and development transactions.

The Company recorded a reduction to general and administrative expense of approximately \$1.7 million during the six months ended June 30, 2007 due to the successful resolution of a certain lawsuit in Florida, resulting in the reversal of the majority of a previously established litigation reserve. The Company had previously recorded a reduction to general and administrative expense of approximately \$2.8 million during the six months ended June 30, 2006 due to the recovery of insurance proceeds related to the same lawsuit.

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

### Overview

For further information including definitions for capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2006.

Forward-looking statements in this report 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 Company assumes no obligation to update or supplement forward-looking statements because of subsequent events. Factors that might cause such differences include, but are not limited to the following:

- We intend to actively acquire and develop multifamily properties for rental operations and/or conversion into condominiums, as well as upgrade and sell existing properties as individual condominiums. We may underestimate the costs necessary to bring an acquired or development property up to standards established for its intended market position. Additionally, we expect that other major real estate investors with significant capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development efforts. This competition may increase prices for multifamily properties or decrease the price at which we expect to sell individual properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms. We also plan to develop more properties ourselves in addition to co-investing with our development partners for either the rental or condominium market, depending on opportunities in each sub-market. This may increase the overall level of risk associated with our developments. The total number of development units, cost 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;
- Sources of capital to the Company or labor and materials required for maintenance, repair, capital expenditure or development are 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 of multifamily housing, slow employment growth, availability of low interest mortgages for single-family home buyers and the potential for geopolitical instability, all of which are beyond the Company's control; and
- Additional factors as discussed in Part I of the Annual Report on Form 10-K, particularly those under "Risk Factors".

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Forward-looking statements and related uncertainties are also included in Notes 5 and 11 to the Notes to Consolidated Financial Statements in this report.

### Results of Operations

In conjunction with our business objectives and operating strategy, the Company has continued to

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units



invest or recycle its capital investment in apartment communities located in strategically targeted markets during the six months ended June 30, 2007. In summary, we:

- Acquired \$1.2 billion of properties consisting of 28 properties and 6,209 units and \$65.5 million of land parcels, all of which we deem to be in our strategic targeted markets; and
- Sold \$790.6 million of properties consisting of 37 properties and 10,018 units, \$40.7 million of land parcels and 383 condominium units for \$103.1 million.

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 the operating performance of a real estate company because it is a direct measure of the actual operating results of the Company's apartment communities.

Properties that the Company owned for all of both of the six months ended June 30, 2007 and 2006 (the Six-Month 2007 Same Store Properties ), which represented 127,396 units, and properties that the Company owned for all of both of the quarters ended June 30, 2007 and 2006 (the Second Quarter 2007 Same Store Properties ), which represented 130,175 units, impacted the Company's results of operations. Both the Six-Month 2007 Same Store Properties and the Second Quarter 2007 Same Store Properties are discussed in the following paragraphs.

The Company's acquisition, disposition, completed development and consolidation of previously unconsolidated property activities also impacted overall results of operations for the six months and quarters ended June 30, 2007 and 2006. The impacts of these activities are also discussed in greater detail in the following paragraphs.

***Comparison of the six months ended June 30, 2007 to the six months ended June 30, 2006***

For the six months ended June 30, 2007, income from continuing operations, net of minority interests, increased by approximately \$0.9 million when compared to the six months ended June 30, 2006. The increase in continuing operations is discussed below.

Revenues from the Six-Month 2007 Same Store Properties increased \$39.7 million primarily as a result of higher rental rates charged to residents. Expenses from the Six-Month 2007 Same Store Properties increased \$12.2 million primarily due to higher payroll, building/maintenance and real estate taxes. The following tables provide comparative same store results and statistics for the Six-Month 2007 Same Store Properties:

**June YTD 2007 vs. June YTD 2006**

**YTD over YTD Same Store Results/Statistics**

**\$ in Thousands (except for Average Rental Rate) 127,396 Same Store Units**

| Description | Results    |            |            | Statistics              |           |          |  |
|-------------|------------|------------|------------|-------------------------|-----------|----------|--|
|             | Revenues   | Expenses   | NOI        | Average Rental Rate (1) | Occupancy | Turnover |  |
| YTD 2007    | \$ 869,998 | \$ 329,496 | \$ 540,502 | \$ 1,202                | 94.8 %    | (30.0 %) |  |
| YTD 2006    | \$ 830,284 | \$ 317,287 | \$ 512,997 | \$ 1,149                | 94.7 %    | (30.6 %) |  |
| Change      | \$ 39,714  | \$ 12,209  | \$ 27,505  | \$ 53                   | 0.1 %     | 0.6 %    |  |
| Change      | 4.8        | % 3.8      | % 5.4      | % 4.6                   | %         |          |  |

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

The following table presents a reconciliation of operating income per the consolidated statements of



The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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operations to NOI for the Six-Month 2007 Same Store Properties:

|                                  | Six Months Ended June 30, |            |
|----------------------------------|---------------------------|------------|
|                                  | 2007                      | 2006       |
|                                  | (Amounts in thousands)    |            |
| Operating income                 | \$ 278,834                | \$ 255,639 |
| Adjustments:                     |                           |            |
| Non-same store operating results | (64,094 )                 | (23,027 )  |
| Fee and asset management revenue | (4,703 )                  | (4,807 )   |
| Fee and asset management expense | 4,504                     | 4,326      |
| Depreciation                     | 304,052                   | 257,683    |
| General and administrative       | 21,515                    | 22,378     |
| Impairment                       | 394                       | 805        |
| Same store NOI                   | \$ 540,502                | \$ 512,997 |

For properties that the Company acquired prior to January 1, 2006 and expects to continue to own through December 31, 2007, the Company anticipates the following same store results for the full year ending December 31, 2007:

2007 Same Store Assumptions

|                    |                |
|--------------------|----------------|
| Physical Occupancy | 95.0%          |
| Revenue Change     | 3.75% to 4.25% |
| Expense Change     | 2.50% to 3.00% |
| NOI Change         | 4.50% to 5.25% |

These 2007 assumptions are based on current expectations and are forward-looking.

Non-same store operating results increased \$41.1 million and consist primarily of properties acquired in calendar years 2007 and 2006 as well as our corporate housing business.

See also Note 15 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 \$0.3 million primarily as a result of lower income earned from our military housing at Ft. Lewis. As of June 30, 2007 and 2006, the Company managed 15,086 and 14,784 units, respectively, for third parties and unconsolidated entities.

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 by approximately \$0.6 million or 1.3%. This increase is primarily attributable to higher overall payroll-related costs.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, increased \$46.4 million primarily as a result of additional depreciation expense on newly acquired properties and capital expenditures for all properties owned.

General and administrative expenses, which include corporate operating expenses, decreased \$0.9 million primarily as a result of a decrease of \$1.4 million in performance share expenses and \$1.0 million in lower state and franchise taxes, partially offset by \$1.2 million less expense recovery related to a certain lawsuit in Florida (see Note 16). The Company anticipates that general and administrative expenses will approximate \$46.0 million to \$49.0 million for the year ending December 31, 2007. The above assumption is based on current expectations and is forward-looking.

The following tables present the changes in the Company's issued and outstanding Common Shares and DP Units



The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

Impairment from continuing operations decreased \$0.4 million primarily as a result of fewer write-offs for development properties during the six months ended June 30, 2007.

**Interest and other income from continuing operations increased \$2.0 million primarily as a result of interest earned on 1031 exchange and earnest money deposits and other short term investments. The Company anticipates that interest and other income will approximate \$20.0 million to \$25.0 million for the year ending December 31, 2007. The above assumption is based on current expectations and is forward-looking.**

Interest expense from continuing operations, including amortization of deferred financing costs, increased approximately \$31.0 million primarily as a result of higher overall debt levels outstanding due to the Company's share repurchase activity as well as the timing of acquisitions and dispositions, partially offset by lower overall effective interest rates. During the six months ended June 30, 2007, the Company capitalized interest costs related to development activity of approximately \$17.9 million as compared to \$7.8 million for the six months ended June 30, 2006. The effective interest cost on all indebtedness for the six months ended June 30, 2007 was 6.02% as compared to 6.19% for the six months ended June 30, 2006. The Company anticipates that interest expense (including discontinued operations) will approximate \$495.0 million to \$510.0 million for the year ending December 31, 2007. The above assumption is based on current expectations and is forward-looking.

Loss from investments in unconsolidated entities was consistent between the periods under comparison.

Net gain on sales of unconsolidated entities decreased \$0.4 million between the periods under comparison as the Company recognized a gain on two unconsolidated properties sold in 2006 as compared to no sales in 2007.

Net gain on sales of land parcels increased \$4.3 million primarily as a result of the sale of one vacant land parcel during the six months ended June 30, 2007.

Discontinued operations, net of minority interests, decreased approximately \$130.3 million between the periods under comparison. This decrease is primarily due to the mix of properties sold during the six months ended June 30, 2007 as compared to the six months ended June 30, 2006. See Note 13 in the Notes to Consolidated Financial Statements for further discussion.

***Comparison of the quarter ended June 30, 2007 to the quarter ended June 30, 2006***

For the quarter ended June 30, 2007, income from continuing operations, net of minority interests, increased by approximately \$0.3 million when compared to the quarter ended June 30, 2006. The increase in continuing operations is discussed below.

**Revenues from the Second Quarter 2007 Same Store Properties increased \$18.6 million primarily as a result of higher rental rates charged to residents. Expenses from the Second Quarter 2007 Same Store Properties increased \$4.1 million primarily due to higher payroll, utilities and real estate taxes. The following tables provide comparative same store results and statistics for the Second Quarter 2007 Same Store Properties:**

**Second Quarter 2007 vs. Second Quarter 2006****Quarter over Quarter Same Store Results/Statistics****\$ in Thousands (except for Average Rental Rate) 130,175 Same Store Units**

| Description | Results    |            |            | Statistics              |           |          |
|-------------|------------|------------|------------|-------------------------|-----------|----------|
|             | Revenues   | Expenses   | NOI        | Average Rental Rate (1) | Occupancy | Turnover |
| Q2 2007     | \$ 447,480 | \$ 166,226 | \$ 281,254 | \$ 1,210                | 94.8 %    | (16.5 %) |
| Q2 2006     | \$ 428,832 | \$ 162,078 | \$ 266,754 | \$ 1,162                | 94.7 %    | (16.6 %) |
| Change      | \$ 18,648  | \$ 4,148   | \$ 14,500  | \$ 48                   | 0.1 %     | 0.1 %    |
| Change      | 4.3 %      | 2.6 %      | 5.4 %      | 4.1 %                   |           |          |

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

The following table presents a reconciliation of operating income per the consolidated statements of operations to NOI for the Second Quarter 2007 Same Store Properties:

|                                  | Quarter Ended June 30, |            |
|----------------------------------|------------------------|------------|
|                                  | 2007                   | 2006       |
|                                  | (Amounts in thousands) |            |
| Operating income                 | \$ 148,448             | \$ 133,995 |
| Adjustments:                     |                        |            |
| Non-same store operating results | (33,660 )              | (9,427 )   |
| Fee and asset management revenue | (2,436 )               | (2,320 )   |
| Fee and asset management expense | 2,163                  | 2,158      |
| Depreciation                     | 155,032                | 132,771    |
| General and administrative       | 11,549                 | 9,338      |
| Impairment                       | 158                    | 239        |
| Same store NOI                   | \$ 281,254             | \$ 266,754 |

Non-same store operating results increased \$24.2 million and consist primarily of properties acquired in calendar years 2007 and 2006 as well as our corporate housing business.

See also Note 15 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, was consistent between the periods under comparison.

Property management expenses from continuing operations include off-site expenses associated with the self-management of the Company's properties as well as management fees paid to any third party management companies. These expenses decreased by approximately \$0.7 million or 2.9%. This decrease is primarily attributable to the expiration of third party management contracts and lower marketing/training costs, partially offset by higher overall payroll-related costs.

Depreciation expense from continuing operations, which includes depreciation on non-real estate assets, increased \$22.3 million primarily as a result of additional depreciation expense on newly acquired properties and capital expenditures for all properties owned.

General and administrative expenses, which include corporate operating expenses, increased \$2.2 million

primarily as a result of a \$2.8 million reimbursement of prior year legal defense costs related to a certain lawsuit in Florida (see Note 16).

Impairment from continuing operations decreased \$81,000 primarily as a result of fewer write-offs for development properties during the quarter ended June 30, 2007.

**Interest and other income from continuing operations increased \$1.9 million primarily as a result of interest earned on 1031 exchange and earnest money deposits and other short term investments.**

Interest expense from continuing operations, including amortization of deferred financing costs, increased approximately \$20.8 million primarily as a result of higher overall debt levels outstanding due to the Company's share repurchase activity as well as the timing of acquisitions and dispositions, partially offset by lower overall effective interest rates. During the quarter ended June 30, 2007, the Company capitalized interest costs related to development activity of approximately \$10.0 million as compared to \$3.8 million for the quarter ended June 30, 2006. The effective interest cost on all indebtedness for the quarter ended June 30, 2007 was 6.10% as compared to 6.14% for the quarter ended June 30, 2006.

Loss from investments in unconsolidated entities was consistent between the periods under comparison.

Net gain on sales of unconsolidated entities was consistent between the periods under comparison.

Net gain on sales of land parcels increased \$4.3 million primarily as a result of the sale of one vacant land parcel during the quarter ended June 30, 2007.

Discontinued operations, net of minority interests, increased approximately \$121.9 million between the periods under comparison. This increase is primarily due to an increase in the number of properties sold and the mix of those properties sold during the quarter ended June 30, 2007 as compared to the quarter ended June 30, 2006. See Note 13 in the Notes to Consolidated Financial Statements for further discussion.

**Liquidity and Capital Resources**

As of January 1, 2007, the Company had approximately \$260.3 million of cash and cash equivalents and \$470.7 million available under its revolving credit facilities (net of \$69.3 million which was restricted/dedicated to support letters of credit and not available for borrowing). 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 June 30, 2007 was approximately \$66.3 million and the amount available on the Company's revolving credit facilities was \$649.4 million (net of \$70.6 million which was restricted/dedicated to support letters of credit and not available for borrowing). Effective February 28, 2007, the Company increased its capacity on its revolving credit facility to \$1.5 billion. See Note 10 for further discussion.

During the six months ended June 30, 2007, the Company generated proceeds from various transactions, which included the following:

- Disposed of 41 properties, various individual condominium units and one land parcel, receiving net proceeds of approximately \$839.1 million;
- Obtained \$346.1 million in net proceeds from the issuance of \$350.0 million of five year 5.50% fixed rate public notes;
- Obtained \$640.6 million in net proceeds from the issuance of \$650.0 million of ten year 5.75% fixed rate public notes and terminated five forward starting swaps designated to hedge the note issuance, receiving net proceeds of \$2.4 million;

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

- Obtained \$262.0 million in new mortgage financing; and

- Issued approximately 0.4 million Common Shares and received net proceeds of \$14.3 million.

During the six months ended June 30, 2007, the above proceeds were primarily utilized to:

- Invest \$195.4 million primarily in development projects;
- Acquire 28 properties and five land parcels, utilizing cash of \$1.1 billion;
- Repurchase 18.5 million Common Shares, utilizing cash of \$837.3 million (see Note 3);
- Repay \$322.6 million of mortgage loans; and
- Repay \$50.0 million of fixed rate public notes.

Depending on its analysis of market prices, economic conditions, and other opportunities for the investment of available capital, the Company may repurchase its Common Shares pursuant to its existing share buyback program authorized by the Board of Trustees. On April 27, 2007, the Board of Trustees approved an increase of \$200.1 million to the Company's authorized share repurchase program. On May 24, 2007, the Board of Trustees approved an additional \$500.0 million share repurchases. As of June 30, 2007 and after giving effect to the above increases, the Company had \$335.8 million remaining available for share repurchases. The Company repurchased \$866.0 million (18,460,206 shares at an average price per share of \$46.91) of its Common Shares during the six months ended June 30, 2007. See Notes 3 and 16 for further discussion.

The Company's total debt summary and debt maturity schedules as of June 30, 2007, are as follows:

**Debt Summary as of June 30, 2007**

(Amounts in thousands)

|                                     | Amounts (1)  | % of Total | Weighted Average Rates (1) | Weighted Average Maturities (years) |
|-------------------------------------|--------------|------------|----------------------------|-------------------------------------|
| Secured                             | \$ 3,188,395 | 34.2       | % 5.73                     | % 7.4                               |
| Unsecured                           | 6,143,139    | 65.8       | % 5.65                     | % 6.7                               |
| Total                               | \$ 9,331,534 | 100.0      | % 5.68                     | % 6.9                               |
| <b>Fixed Rate Debt:</b>             |              |            |                            |                                     |
| Secured Conventional                | \$ 2,135,082 | 22.9       | % 6.13                     | % 4.2                               |
| Unsecured Public/Private            | 5,106,127    | 54.7       | % 5.64                     | % 6.8                               |
| Unsecured Tax Exempt                | 111,390      | 1.2        | % 5.06                     | % 21.8                              |
| Fixed Rate Debt                     | 7,352,599    | 78.8       | % 5.79                     | % 6.3                               |
| <b>Floating Rate Debt:</b>          |              |            |                            |                                     |
| Secured Conventional                | 435,516      | 4.7        | % 7.13                     | % 6.0                               |
| Secured Tax Exempt                  | 617,797      | 6.6        | % 3.20                     | % 20.2                              |
| Unsecured Public                    | 145,622      | 1.5        | % 6.60                     | % 1.9                               |
| Unsecured Revolving Credit Facility | 780,000      | 8.4        | % 5.65                     | % 4.7                               |
| Floating Rate Debt                  | 1,978,935    | 21.2       | % 5.33                     | % 9.4                               |
| Total                               | \$ 9,331,534 | 100.0      | % 5.68                     | % 6.9                               |

(1) Net of the effect of any derivative instruments. Weighted average rates are for the six months ended June 30, 2007.

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units



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Note: The Company capitalized interest of approximately \$17.9 million and \$7.8 million for the six months ended June 30, 2007 and 2006, respectively. The Company capitalized interest of approximately \$10.0 million and \$3.8 million for the quarters ended June 30, 2007 and 2006, respectively.

**Debt Maturity Schedule as of June 30, 2007**

(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) |
|----------|----------------|-------------------|--------------|------------|---|--|
| 2007     | \$ 156,908     | \$ 40,946         | \$ 197,854   | 2.1        | % 6.11  | % 6.30                                   |
| 2008     | 470,272        | 136,471           | 606,743      | 6.5        | % 6.65  | % 6.56                                   |
| 2009     | 457,504        | 386,711           | 844,215      | 9.0        | % 6.35  | % 5.37                                   |
| 2010     | 279,484        | 1,654             | 281,138      | 3.0        | % 7.05  | % 7.05                                   |
| 2011 (2) | 1,475,336      | 24,150            | 1,499,486    | 16.1       | % 5.55  | % 5.52                                   |
| 2012 (3) | 890,335        | 780,000           | 1,670,335    | 17.9       | % 6.09  | % 5.87                                   |
| 2013     | 565,655        |                   | 565,655      | 6.1        | % 5.93  | % 5.93                                   |
| 2014     | 504,708        |                   | 504,708      | 5.4        | % 5.27  | % 5.27                                   |
| 2015     | 355,491        |                   | 355,491      | 3.8        | % 6.41  | % 6.41                                   |
| 2016     | 1,089,241      |                   | 1,089,241    | 11.7       | % 5.32  | % 5.32                                   |
| 2017+    | 1,107,665      | 609,003           | 1,716,668    | 18.4       | % 6.14  | % 5.66                                   |
| Total    | \$ 7,352,599   | \$ 1,978,935      | \$ 9,331,534 | 100.0      | % 5.91  | % 5.75                                   |

(1) Net of the effect of any derivative instruments. Weighted average rates are as of June 30, 2007.

(2) Includes \$650.0 million of 3.85% convertible unsecured debt with a final maturity of 2026. The notes are callable by the Company on or after August 18, 2011. The notes are putable by the holders on August 18, 2011, August 15, 2016 and August 15, 2021.

(3) Includes \$780.0 million outstanding on the Company's \$1.5 billion unsecured revolving credit facility, which matures on February 28, 2012.

The following table provides a summary of the Company's unsecured debt as of June 30, 2007:

## Unsecured Debt Summary as of June 30, 2007

(Amounts in thousands)

|                                     | Coupon Rate | Due Date   |     | Face Amount  | Unamortized Premium/(Discount) | Net Balance  |
|-------------------------------------|-------------|------------|-----|--------------|--------------------------------|--------------|
| <b>Fixed Rate Notes:</b>            |             |            |     |              |                                |              |
|                                     | 6.900       | % 08/01/07 |     | \$ 50,000    | \$ (2)                         | \$ 49,998    |
|                                     | 7.540       | % 09/01/07 | (1) | 4,286        |                                | 4,286        |
|                                     | 4.861       | % 11/30/07 |     | 50,000       |                                | 50,000       |
|                                     | 7.500       | % 08/15/08 | (1) | 130,000      |                                | 130,000      |
|                                     | 4.750       | % 06/15/09 | (2) | 300,000      | (537)                          | 299,463      |
|                                     | 6.950       | % 03/02/11 |     | 300,000      | 3,254                          | 303,254      |
|                                     | 6.625       | % 03/15/12 |     | 400,000      | (1,382)                        | 398,618      |
|                                     | 5.500       | % 10/01/12 |     | 350,000      | (1,812)                        | 348,188      |
|                                     | 5.200       | % 04/01/13 |     | 400,000      | (681)                          | 399,319      |
|                                     | 5.250       | % 09/15/14 |     | 500,000      | (443)                          | 499,557      |
|                                     | 6.584       | % 04/13/15 |     | 300,000      | (865)                          | 299,135      |
|                                     | 5.125       | % 03/15/16 |     | 500,000      | (466)                          | 499,534      |
|                                     | 5.375       | % 08/01/16 |     | 400,000      | (1,685)                        | 398,315      |
|                                     | 5.750       | % 06/15/17 |     | 650,000      | (5,086)                        | 644,914      |
|                                     | 7.125       | % 10/15/17 |     | 150,000      | (668)                          | 149,332      |
|                                     | 7.570       | % 08/15/26 |     | 140,000      |                                | 140,000      |
|                                     | 3.850       | % 08/15/26 | (3) | 650,000      | (7,786)                        | 642,214      |
| Floating Rate Adjustments           |             |            | (2) | (150,000)    |                                | (150,000)    |
|                                     |             |            |     | 5,124,286    | (18,159)                       | 5,106,127    |
| <b>Fixed Rate Tax Exempt Notes:</b> |             |            |     |              |                                |              |
|                                     | 4.750       | % 12/15/28 | (1) | 35,600       |                                | 35,600       |
|                                     | 5.200       | % 06/15/29 | (1) | 75,790       |                                | 75,790       |
|                                     |             |            |     | 111,390      |                                | 111,390      |
| <b>Floating Rate Notes:</b>         |             |            |     |              |                                |              |
|                                     |             | 06/15/09   | (2) | 150,000      |                                | 150,000      |
| FAS 133 Adjustments - net           |             |            | (2) | (4,378)      |                                | (4,378)      |
|                                     |             |            |     | 145,622      |                                | 145,622      |
| <b>Revolving Credit Facility:</b>   |             | 02/28/12   | (4) | 780,000      |                                | 780,000      |
| <b>Total Unsecured Debt</b>         |             |            |     | \$ 6,161,298 | \$ (18,159)                    | \$ 6,143,139 |

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

(2) \$150.0 million in fair value interest rate swaps converts 50% of the 4.750% Notes due June 15, 2009 to a floating interest rate.

(3) Convertible notes mature on August 15, 2026. The notes are callable by the Company on or after August 18, 2011. The notes are puttable by the holders on August 18, 2011, August 15, 2016 and August 15, 2021.

(4) Represents amount outstanding on the Company's \$1.5 billion unsecured revolving credit facility which matures on February 28, 2012.

As of August 1, 2007, an unlimited amount of debt securities remains available for issuance by the Operating Partnership under a registration statement that became automatically effective upon filing with the SEC in June 2006 (under SEC regulations enacted in 2005, the registration statement automatically expires

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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on June 29, 2009 and does not contain a maximum issuance amount) and \$956.5 million in equity securities remains available for issuance by the Company under a registration statement the SEC declared effective in February 1998.

The Company's Consolidated Debt-to-Total Market Capitalization Ratio as of June 30, 2007 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 OP Units at the equivalent market value of the closing price of the Company's Common Shares on the New York Stock Exchange; (ii) the Common Share Equivalent of all convertible preferred shares and preference units; and (iii) the liquidation value of all perpetual preferred shares outstanding.

**Capital Structure as of June 30, 2007**

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

|  |             |       |                   |              |          |              |          |
|--|-------------|-------|-------------------|--------------|----------|--------------|----------|
| Secured Debt                           |             | \$    | 3,188,395         | 34.2         | %        |              |          |
| Unsecured Debt                         |             |       | 5,363,139         | 57.5         | %        |              |          |
| Revolving Credit Facility              |             |       | 780,000           | 8.3          | %        |              |          |
| <b>Total Debt</b>                      |             |       | <b>9,331,534</b>  | <b>100.0</b> | <b>%</b> | <b>40.1</b>  | <b>%</b> |
| Common Shares                          | 277,134,550 |       |                   | 93.6         | %        |              |          |
| OP Units                               | 19,040,440  |       |                   | 6.4          | %        |              |          |
| Total Shares and OP Units              | 296,174,990 |       |                   | 100.0        | %        |              |          |
| Common Share Equivalents (see below)   | 491,520     |       |                   |              |          |              |          |
| Total outstanding at quarter-end       | 296,666,510 |       |                   |              |          |              |          |
| Common Share Price at June 30, 2007    | \$          | 45.63 |                   |              |          |              |          |
|  |             |       | 13,536,893        | 97.3         | %        |              |          |
| Perpetual Preferred Equity (see below) |             |       | 375,000           | 2.7          | %        |              |          |
| <b>Total Equity</b>                    |             |       | <b>13,911,893</b> | <b>100.0</b> | <b>%</b> | <b>59.9</b>  | <b>%</b> |
| <b>Total Market Capitalization</b>     |             | \$    | <b>23,243,427</b> |              |          | <b>100.0</b> | <b>%</b> |

**Convertible Preferred Equity as of June 30, 2007**

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

| Series                             | Redemption Date | Outstanding Shares/Units | Liquidation Value | Annual Dividend Per Share/Unit | Annual Dividend Amount | Weighted Average Rate | Conversion Ratio | Common Share Equivalents |
|------------------------------------|-----------------|--------------------------|-------------------|--------------------------------|------------------------|-----------------------|------------------|--------------------------|
| Preferred Shares:                  |                 |                          |                   |                                |                        |                       |                  |                          |
| 7.00% Series E                     | 11/1/98         | 401,716                  | \$10,043          | \$1.75                         | \$703                  |                       | 1.1128           | 447,030                  |
| 7.00% Series H                     | 6/30/98         | 25,534                   | 638               | 1.75                           | 45                     |                       | 1.4480           | 36,973                   |
| Junior Preference Units:           |                 |                          |                   |                                |                        |                       |                  |                          |
| 8.00% Series B                     | 7/29/09         | 7,367                    | 184               | 2.00                           | 15                     |                       | 1.020408         | 7,517                    |
| Total Convertible Preferred Equity |                 | 434,617                  | \$10,865          |                                | \$763                  | 7.02                  | %                | 491,520                  |

**Perpetual Preferred Equity as of June 30, 2007**

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

| Series                           | Redemption Date | Outstanding Shares/Units | Liquidation Value | Annual Dividend Per Share/Unit | Annual Dividend Amount | Weighted Average Rate |
|----------------------------------|-----------------|--------------------------|-------------------|--------------------------------|------------------------|-----------------------|
| Preferred Shares:                |                 |                          |                   |                                |                        |                       |
| 8.60% Series D (1)               | 7/15/07         | 700,000                  | \$175,000         | \$21.50                        | \$15,050               |                       |
| 8.29% Series K                   | 12/10/26        | 1,000,000                | 50,000            | 4.145                          | 4,145                  |                       |
| 6.48% Series N                   | 6/19/08         | 600,000                  | 150,000           | 16.20                          | 9,720                  |                       |
| Total Perpetual Preferred Equity |                 | 2,300,000                | \$375,000         |                                | \$28,915               | 7.71 %                |

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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- (1) The Company redeemed its Series D Preferred Shares on July 16, 2007 at its liquidation value of \$175.0 million.

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

The Company expects to meet its short-term liquidity requirements, including capital expenditures related to maintaining its existing properties and certain scheduled unsecured note and mortgage note repayments, generally through its working capital, net cash provided by operating activities and borrowings under its revolving credit facilities. The Company considers its cash provided by operating activities to be adequate to meet operating requirements and payments of 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 and capital improvements through the issuance of unsecured notes and equity securities, including additional OP Units, and proceeds received from the disposition of certain properties. 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 \$18.1 billion in investment in real estate on the Company's balance sheet at June 30, 2007, \$12.5 billion or 69.0%, was unencumbered.

The Operating Partnership's senior debt credit ratings from Standard & Poors (S&P), Moody's and Fitch are A-, Baa1 and A-, respectively. The Company's preferred equity ratings from S&P, Moody's and Fitch are BBB+, Baa2 and BBB+, respectively.

The Operating Partnership has a long-term revolving credit facility with potential borrowings of up to \$1.5 billion which matures in February 2012. This facility may, among other potential uses, be used to fund property acquisitions, costs for certain properties under development and short term liquidity requirements. As of August 1, 2007, \$945.0 million was outstanding under this facility.

See Note 16 in the Notes to Consolidated Financial Statements for discussion of the events which occurred subsequent to June 30, 2007.

#### ***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 unit*). These include:
  - o flooring such as carpets, hardwood, vinyl, linoleum or tile;
  - o appliances;
  - o mechanical equipment such as individual furnace/air units, hot water heaters, etc;
  - o furniture and fixtures such as kitchen/bath cabinets, light fixtures, ceiling fans, sinks, tubs, toilets, mirrors, countertops, etc; and
  - o blinds/shades.

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

- Building improvements (*outside the unit*). These include:
  - o roof replacement and major repairs;
  - o paving or major resurfacing of parking lots, curbs and sidewalks;
  - o amenities and common areas such as pools, exterior sports and playground equipment, lobbies, clubhouses, laundry rooms, alarm and security systems and offices;

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

- o major building mechanical equipment systems;
- o interior and exterior structural repair and exterior painting and siding;

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- o major landscaping and grounds improvement; and
- o vehicles and office and maintenance equipment.

All building improvements are depreciated over a five to ten-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 six months ended June 30, 2007, our actual improvements to real estate totaled approximately \$117.8 million. This includes the following (amounts in thousands except for unit and per unit amounts):

**Capitalized Improvements to Real Estate  
For the Six Months Ended June 30, 2007**

|                               | Total<br>Units (1) | Replacements | Avg. Per<br>Unit | Building<br>Improvements | Avg. Per<br>Unit | Total     | Avg. Per<br>Unit |
|-------------------------------|--------------------|--------------|------------------|--------------------------|------------------|-----------|------------------|
| Established Properties(2)     | 114,823            | \$19,495     | \$170            | \$37,141                 | \$323            | \$56,636  | \$493            |
| New Acquisition Properties(3) | 25,909             | 4,096        | 172              | 27,987                   | 1,176            | 32,083    | 1,348            |
| Other(4)                      | 7,333              | 9,486        |                  | 19,640                   |                  | 29,126    |                  |
| Total                         | 148,065            | \$33,077     |                  | \$84,768                 |                  | \$117,845 |                  |

- (1) Total units exclude 10,846 unconsolidated units and 3,621 military housing (fee managed) units.
- (2) Wholly Owned Properties acquired prior to January 1, 2005.
- (3) Wholly Owned Properties acquired during 2005, 2006 and 2007. Per unit amounts are based on a weighted average of 23,807 units.
- (4) Includes properties either partially owned or sold during the period, commercial space, corporate housing, condominium conversions and \$9.8 million included in building improvements spent on fifteen specific assets related to major renovations and repositioning of these assets.

The Company expects to fund approximately \$58.2 million for capital expenditures for replacements and building improvements for all established properties for the remainder of 2007. This includes an average of approximately \$1,000 per unit for capital improvements for established properties.

During the six months ended June 30, 2007, 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 \$4.2 million. The Company expects to fund approximately \$3.0 million in total additions to non-real estate property for the remainder of 2007.

Improvements to real estate and additions to non-real estate property were funded from net cash provided by operating activities.

**Derivative Instruments**

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

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

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

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

See Note 11 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments at June 30, 2007.

*Other*

**Minority Interests** as of June 30, 2007 decreased by \$54.8 million when compared to December 31, 2006, primarily as a result of the following:

- Distributions declared to Minority Interests, which amounted to \$17.7 million (excluding Junior Preference Unit and Preference Interest distributions);
- The allocation of income from operations to holders of OP Units in the amount of \$26.1 million;
- The conversion of 230,000 Series J Preference Interests with a liquidation value of \$11.5 million into Common Shares; and
- The conversion of 0.9 million OP Units into Common Shares.

**Total distributions paid in July 2007** amounted to \$146.1 million (excluding distributions on Partially Owned Properties), which included certain distributions declared during the second quarter ended June 30, 2007.

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

The Company has co-invested in various properties that are unconsolidated and accounted for under the equity method of accounting. Management does not believe these investments have a materially different impact upon the Company's liquidity, capital resources, credit or market risk than its property management and ownership activities. During 2000 and 2001, the Company entered into institutional ventures with an unaffiliated partner. At the respective closing dates, the Company sold and/or contributed 45 properties containing 10,846 units to these ventures and retained a 25% ownership interest in the ventures. The Company's joint venture partner contributed cash equal to 75% of the agreed-upon equity value of the properties comprising the ventures, which was then distributed to the Company. The Company's strategy with respect to these ventures was to reduce its concentration of properties in a variety of markets.

As of June 30, 2007, the Company has nine projects totaling 3,026 units in various stages of development with estimated completion dates ranging through September 30, 2009. See Note 14 in the Notes to Consolidated Financial Statements for additional discussion.

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 Company's contractual obligations for the next five years and thereafter have not changed materially from the amounts and disclosures included in its annual report on Form 10-K, other than as it relates to scheduled debt maturities. See the updated debt maturity schedule included in Liquidity and Capital Resources for further discussion.

**Critical Accounting Policies and Estimates**

The Company has identified six 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 assessments is consistently applied and produces financial information that fairly presents the results of operations for all periods presented. The six critical accounting policies are:

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

*Impairment of Long-Lived Assets, Including Goodwill*

The Company periodically evaluates its long-lived assets, including its investments in real estate and goodwill, for indicators of permanent impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset and legal and environmental concerns. 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 10-year estimated useful life and both the furniture, fixtures and equipment and replacements components over a 5-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 discussion of the policy with respect to capitalization vs. expensing of fixed asset/repair and maintenance costs. In addition, the Company capitalizes the payroll and associated costs of employees directly responsible for and who spend all of their time on the supervision of major capital and/or renovation projects. These costs are reflected on the balance sheet as an increase to depreciable property.

The Company follows the guidance in SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, for all development projects and 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 all of 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 sheet 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 renovation at selected properties when additional incremental employees are hired.

*Fair Value of Financial Instruments, Including Derivative Instruments*

The valuation of financial instruments under SFAS No. 107 and SFAS No. 133 and its amendments (SFAS Nos. 137/138/149) 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 statements.

*Revenue Recognition*

Rental income attributable to leases is recorded when due from residents and is recognized monthly as it is earned, which is not materially different than on a straight-line basis. Leases entered into between a resident and a property for the rental of an apartment unit are generally year-to-year, renewable upon consent of both parties on an annual or monthly basis. Fee and asset management revenue and interest income are recorded on an accrual basis.

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### Share-Based Compensation

The Company accounts for its share-based compensation in accordance with SFAS No. 123(R), *Share-Based Payment*, effective January 1, 2006, which results in compensation expense being recorded based on the fair value of the share compensation granted.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model is only one method of valuing options and the Company's use of this model should not be interpreted as an endorsement of its accuracy. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its share options and the actual value of the options may be significantly different.

### Funds From Operations

**For the six months ended June 30, 2007, Funds From Operations ( FFO ) available to Common Shares and OP Units decreased by \$8.8 million or 2.4%, as compared to the six months ended June 30, 2006.**

**For the quarter ended June 30, 2007, FFO available to Common Shares and OP Units decreased \$7.4 million, or 3.8%, as compared to the quarter ended June 30, 2006.**

The following is a reconciliation of net income to FFO available to Common Shares and OP Units for the six months and quarters ended June 30, 2007 and 2006:

### Funds From Operations

*(Amounts in thousands)*

*(Unaudited)*

|   | Six Months Ended June 30, |            | Quarter Ended June 30, |            |
|---|---------------------------|------------|------------------------|------------|
|   | 2007                      | 2006       | 2007                   | 2006       |
| Net income  | \$ 408,638                | \$ 537,972 | \$ 282,401             | \$ 160,157 |
| Allocation to Minority Interests Operating Partnership, net         | 2,097                     | 1,828      | 1,449                  | 1,317      |
| Adjustments:  |                           |            |                        |            |
| Depreciation  | 304,052                   | 257,683    | 155,032                | 132,771    |
| Depreciation Non-real estate additions                              | (4,173 )                  | (3,682 )   | (2,138 )               | (1,886 )   |
| Depreciation Partially Owned and Unconsolidated Properties          | 2,081                     | 2,563      | 1,138                  | 1,013      |
| Net gain on sales of unconsolidated entities                        |                           | (352 )     |                        | (23 )      |
| Discontinued operations:  |                           |            |                        |            |
| Depreciation  | 7,689                     | 39,670     | 2,035                  | 17,859     |
| Gain on sales of discontinued operations, net of minority interests | (361,356 )                | (469,246 ) | (256,568 )             | (121,281 ) |
| Net incremental gain on sales of condominium units                  | 13,594                    | 18,553     | 8,902                  | 11,426     |
| Provision for income taxes Non-condo sales                          | (187 )                    |            |                        |            |
| Minority Interests Operating Partnership                            | 41                        | 1,620      | (218 )                 | 707        |
| FFO (1)(2)  | 372,476                   | 386,609    | 192,033                | 202,060    |
| Preferred distributions   | (14,840 )                 | (20,168 )  | (7,416 )               | (10,073 )  |
| FFO available to Common Shares and OP Units (1)(2)                  | \$ 357,636                | \$ 366,441 | \$ 184,617             | \$ 191,987 |

*(1) 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 of depreciable property, 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 following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

*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 units to condominiums, it simultaneously discontinues depreciation of such property. FFO available to Common Shares and OP Units is calculated on a basis consistent with net income available to Common Shares and reflects adjustments to net income for preferred distributions and premiums on redemption of preferred shares 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 Minority Interests Operating Partnership. Subject to certain restrictions, the Minority Interests Operating Partnership may exchange their OP Units for EQR Common Shares on a one-for-one basis.*

*(2) The Company believes that FFO and FFO available to Common Shares and OP 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 OP Units can help compare the operating performance of a company's real estate between periods or as compared to different companies. FFO and FFO available to Common Shares and OP Units do not represent net income, net income available to Common Shares or net cash flows from operating activities in accordance with GAAP. Therefore, FFO and FFO available to Common Shares and OP Units should not be exclusively considered as alternatives to net income, net income available to Common Shares or net cash flows from operating activities as determined by GAAP or as measures of liquidity. The Company's calculation of FFO and FFO available to Common Shares and OP 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.*

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

The Company's market risk has not changed materially from the amounts and information reported in Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, to the Company's Form 10-K for the year ended December 31, 2006. See also Note 11 in the Notes to Consolidated Financial Statements for additional discussion of derivative instruments.

### Item 4. Controls and Procedures

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

Effective as of June 30, 2007, 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 periods specified in the SEC's rules and forms.

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

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to above that occurred during the second quarter of 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. 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

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units





The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

and the uncertainty of many other critical factual and legal issues, it is not possible to determine or predict the outcome of the suit and as a result, no amounts have been accrued at June 30, 2007. While no assurances can be given, the Company does not believe that the suit, if adversely determined, will 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, reasonably may be expected to have a material adverse effect on the Company.

#### Item 1A. Risk Factors

There have been no material changes related to the risk factors that were discussed in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2006.

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

##### (a) Unregistered Common Shares Issued in the Quarter Ended June 30, 2007

On June 25, 2007, the Company issued 324,484 Common Shares, valued at approximately \$14.8 million on the date of issuance, to certain preferred partners of a subsidiary of the Operating Partnership upon exchange of 230,000 Preference Interests. Such shares were issued in reliance on an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, 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 sale and information obtained by the Company from the preferred partners in connection with these transactions, the Company believes it may rely on this exemption.

##### (c) Common Shares Repurchased in the Quarter Ended June 30, 2007

The Company repurchased the following Common Shares during the quarter ended June 30, 2007:

| Period              | Total Number of Common Shares Purchased (1) | Average Price Paid Per Share (1) | Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---------------------|---|----------------------------------|---|---|
| May 2007            | 8,297,552                                   | \$ 46.30                         | 8,297,552   | \$ 615,841,198  |
| June 2007           | 6,022,400                                   | \$ 46.49                         | 6,022,400   | \$ 335,849,333  |
| Second Quarter 2007 | 14,319,952                                  | \$ 46.38                         | 14,319,952  |   |

(1) The Common Shares repurchased during the quarter ended June 30, 2007 represent Common Shares repurchased under the Company's publicly announced share repurchase program approved by its Board of Trustees. Of the total shares repurchased, 1,052 shares were repurchased at an average price of \$50.75 per share to cover the minimum statutory tax withholding obligations related to the vesting of employees' restricted shares. The remaining 14,318,900 shares were repurchased in the open market at an average price of \$46.38 per share. As of June 30, 2007, transactions to repurchase 627,300 of the 14,319,952 Common Shares had not yet settled. On April 27, 2007, the Board of Trustees approved an increase of \$200.1 million to the Company's authorized share repurchase program. On May 24, 2007, the Board of Trustees approved an additional \$500.0 million share repurchase program. Considering the above additional authorizations and the repurchase activity for the quarter, the Company has \$335.8 million remaining available for share repurchases as of June 30, 2007.

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

**Item 4. Submission of Matters to a Vote of Security Holders**

The Company held its Annual Meeting of Shareholders on May 24, 2007. Shareholders holding 267,019,447 Common Shares (being the only class of shares entitled to vote at the meeting), or 91.45% of the Company's issued and outstanding Common Shares as of the record date for the meeting, attended the meeting or were represented by proxy. The Company's shareholders voted on three proposals presented at the meeting. Proposals I and II both received the requisite number of votes to pass. Proposal III did not receive the requisite number of votes to pass. The results of the shareholders' votes on the three proposals are as follows:

**Proposal I** Election of the following trustees to annual terms expiring in 2008. A plurality of the votes cast was required for the election of trustees.

| NOMINEE             | FOR         | WITHHELD   |
|---------------------|-------------|------------|
| John W. Alexander   | 252,886,104 | 14,133,345 |
| Charles L. Atwood   | 264,082,268 | 2,937,181  |
| Stephen O. Evans    | 263,549,738 | 3,469,710  |
| Boone A. Knox       | 264,083,560 | 2,935,888  |
| John E. Neal        | 264,155,865 | 2,863,583  |
| David J. Neithercut | 263,004,136 | 4,015,312  |
| Desiree G. Rogers   | 264,128,363 | 2,891,085  |
| Sheli Z. Rosenberg  | 261,786,878 | 5,232,571  |
| Gerald A. Spector   | 262,992,554 | 4,026,894  |
| B. Joseph White     | 262,752,368 | 4,267,081  |
| Samuel Zell         | 261,469,424 | 5,550,024  |

**Proposal II** Approval to ratify the selection of Ernst & Young LLP as the Company's independent auditor for the year ending December 31, 2007. A majority of the votes cast was required for approval.

|                   | FOR         | AGAINST   | ABSTAIN   |
|-------------------|-------------|-----------|-----------|
| Total Shares      | 263,557,321 | 1,941,888 | 1,520,237 |
| % of Voted Shares | 98.70%      | 0.73%     | 0.57%     |
| % of Outstanding  | 90.26%      | 0.67%     | 0.52%     |

**Proposal III** Shareholder proposal requesting that the Company adopt a majority vote standard for the election of trustees. A majority of the votes cast was required for approval.

|                   | FOR         | AGAINST     | ABSTAIN   |
|-------------------|-------------|-------------|-----------|
| Total Shares      | 116,880,328 | 129,936,469 | 1,761,834 |
| % of Voted Shares | 47.02%      | 52.27%      | 0.71%     |
| % of Outstanding  | 40.02%      | 44.50%      | 0.60%     |

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

The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units

**SIGNATURES**

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

EQUITY RESIDENTIAL

Date: August 7, 2007

By: /s/ Donna Brandin  
Donna Brandin  
Executive Vice President and  
Chief Financial Officer

Date: August 7, 2007

By: /s/ Ian S. Kaufman  
Ian S. Kaufman  
First Vice President and  
Chief Accounting Officer

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### EXHIBIT INDEX

The exhibits listed below are filed as part of this report. References to exhibits or other filings under the caption "Location" indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. The Commission file number for our Exchange Act filings referenced below is 1-12252.

| <b>Exhibit</b> | <b>Description</b>   | <b>Location</b>  |
|----------------|--|--|
| 10.1           | Third Amendment to Equity Residential 1993 Share Option and Share Award Plan.  | Attached herein.   |
| 10.2           | Sixth Amendment to Equity Residential 2002 Share Incentive Plan.   | Attached herein.   |
| 10.3           | Revolving Credit Agreement dated as of May 7, 2007 between ERP Operating Limited Partnership and Bank of America, N.A., as administrative agent and a lender, JPMorgan Chase Bank, N.A., as syndication agent and a lender, and Deutsche Bank AG, New York Branch, as documentation agent and a lender (the "Credit Agreement"). | Included as Exhibit 10.1 to the Company's Form 8-K dated May 7, 2007, filed on May 10, 2007. |
| 10.4           | Guaranty of Payment made as of May 7, 2007 between Equity Residential and Bank of America, N.A., as administrative agent for the lenders party to the Credit Agreement.  | Included as Exhibit 10.2 to the Company's Form 8-K dated May 7, 2007, filed on May 10, 2007. |
| 31.1           | Certification of David J. Neithercut, Chief Executive Officer.   | Attached herein.   |
| 31.2           | Certification of Donna Brandin, Chief Financial Officer.   | Attached herein.   |
| 32.1           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of David J. Neithercut, Chief Executive Officer of the Company.  | Attached herein.   |
| 32.2           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Donna Brandin, Chief Financial Officer of the Company.  | Attached herein.   |

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The following tables present the changes in the Company's issued and outstanding Common Shares and OP Units