

ALPINE GLOBAL PREMIER PROPERTIES FUND
Form N-CSR
January 09, 2012

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act File number: 811-22016

Alpine Global Premier Properties Fund

(Exact name of registrant as specified in charter)

**Alpine Woods Capital Investors, LLC
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Date of fiscal year end: October 31, 2011

Date of reporting period: November 1, 2010 - October 31, 2011

Item 1: Shareholder Report

Global Premier Properties Fund

October 31,

2011

Annual Report

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Alpine Global Premier Properties Fund (the Fund), acting in accordance with an exemptive order received from the Securities and Exchange Commission (SEC) and with approval of its Board of Trustees (the Board), has adopted a level distribution policy (the Policy) with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of the Fund during such year and all of the returns of capital paid by portfolio companies to the Fund during such year. In accordance with its Policy, the Fund distributes a fixed amount per common share, currently \$0.05, each month to its common shareholders. This amount is subject to change from time to time in the discretion of the Board. Although the level of distributions is independent of fund performance, the Fund expects such distributions to correlate with its performance over time. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential increases or decreases in the final dividend periods for each year in light of the Fund 's performance for the entire calendar year and to enable the Fund to comply with the distribution requirements imposed by the Internal Revenue Code. Over time, the Fund expects that the distribution rate in relation to the Fund 's Net Asset Value (NAV) will approximately equal the Fund 's total return on NAV.

The fixed amount of distributions will be reviewed by the Board at regular intervals with consideration of the level of investment income and realized gains. The Board strives to establish a level regular distribution that will meet the Fund 's requirement to pay out all taxable income (including amounts representing return of capital paid by portfolio companies) with a minimum of special distributions. The Fund 's total return in relation to changes in NAV is presented in the financial highlights table. Shareholders should not draw any conclusions about the Fund 's investment performance from the amount of the current distribution or from the terms of the Fund 's level distribution policy. The Board may amend or terminate the level distribution policy without prior notice to Fund shareholders.

Shareholders should note that the Fund 's Policy is subject to change or termination as a result of many factors. The Fund is subject to risks through ownership of its portfolio company holdings including, but not limited to, declines in the value of real estate held by the portfolio company, risks related to general and local economic conditions, and portfolio company losses. Moreover, an economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Fund invests, which in turn could result in the Fund not achieving its investment or distribution objectives thereby jeopardizing the continuance of the Policy. Please refer to the prospectus for a fuller description of the Fund 's risks.

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Alpine View

October 31, 2011

Dear Investor:

Since the summer of 2007, the world has been experiencing a period of exceptional transformation. The fundamental impacts have been economic, but the implications for social and political structures may be more profound than the world has felt for over 40 years. Economic imbalances ranging from commodity inflation and fragile financial funding to income inequality and unemployment all played a role in fomenting societal eruptions this year. The Jasmine Revolution which begot the Arab Spring uprisings have been the most notable, but the Occupy Wall Street movement, riots from Greece to China, and the rallies in India and Russia over graft and fraud are among outbursts with political implications stemming largely from economic distress. As we look forward to 2012, elections in France, Egypt, Russia, China, Mexico and, of course, the United States may have long term significance, but in the short term the preceding periods may be notable for the lack of political action or possible missteps which investors might deem problematic for the economy. If economic stability is compromised over the next year, then future social and political stability may also suffer, so investors must be mindful of events both here and abroad. On the other hand, if the sovereign integrity of the Euro Zone is retained, then the prospect of a mere recession in Europe will probably have limited impact on the global economy. Alpine believes that stock prices have already factored in a more disruptive outlook.

Historically, a significant minority of the world's population has been able to utilize much of the world's resources with only modest concern for efficiency. Now, with over seven billion inhabitants on the planet, the developed economies are competitively forced to share more of the world's food, fuel and even economic capital with our neighbors. Up until 2007, the U.S. and Europe stretched the limits of our capital capacity to create debt with an issuance and distribution system which had become increasingly dependent upon lax credit ratings and easy capital reserve ratios. This provided the capacity to buy more or pay higher prices than we might have otherwise been inclined, whether as individuals or collectively as nations. Since then, broad avoidance and mistrust of credit-based risk has forced capital out of the lower rated investment market. Instead, cash has been parked in marginally productive safe investments, such as gold and Treasury bills, which do not stimulate economic activity. The potential combination of such risk avoidance with the forced deleveraging of over extended countries, companies and individuals could continue to dramatically impact asset values,

Source: IMF, Alpine

reduce capital for investment, decrease consumption and lower economic growth. Europe may well face such a spiraling scenario in 2012, given their already high levels (debt/GDP=80%+) of debt.

The reactionary tendency to stretching too far is to reverse course and, in this case, shrink leverage and practice restraint or even austerity. This approach may speed downsizing in a normal cycle, but when imbalances are as severe as now, purging the excesses could lead to a depression. An alternate approach to halting these deleterious trends would seek to sustain modest growth of the financial system in order to strengthen it while building a better model for allocating, evaluating and distributing capital, before shrinking obligations. In other words, it might be prudent to initially reinforce the dam, rather than let it erode before the next storm. Unfortunately, we have been in a period of transition which finds politicians embracing the safety of ideology when they should be attempting to understand complex economic interactions and debating the implications of any policy responses. We need fresh ideas and honest debate which could educate the public and instill confidence that government is leading the way forward. By default, the world's central bankers and treasury chiefs have been left to set the agenda to fix or replace financial structures and critical systems that have proved inadequate or were simply broken. The following chart shows how the lack of GDP growth from 2007 compromised developed market debt ratios, in contrast with emerging market countries which were able to both grow GDP (denominator) and reduce debt.

Source: IMF, Alpine

The current sovereign debt crisis in Europe is the product of structural limitations of the European Union (EU), which has limited the European Central Bank's (ECB) monetary capability. Market forces have finally compelled EU politicians to alleviate fiscal constraints and imbalances with new rules to be enacted in 2012. It is notable that the U.S. is the furthest advanced of the major

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economies in this fundamental struggle to restructure and redirect the capital market system. Nevertheless, our politicians have so far failed on the fiscal front to grow government revenues, shrink expenses or both. Yet deficits, spending and taxes are only part of the problem. People have been losing confidence in our leaders ability to control the financial system. In effect, we have to either

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find a new model or rework existing financial market structures to permit capital to grow and flow efficiently, while also providing meaningful safeguards and firebreaks to control risk from unseen exposures or contagion from derivative or contingent contracts.

2011: When It Rains, It Pours

The extended economic recovery since 2009 has survived a steady string of shocks to the system. No one could have predicted that food and energy price volatility would set off Arab Spring revolutions which have been reshaping the political landscape of the Middle East. Similarly, droughts throughout the world and flooding in other areas also hit food prices as did the destructive floods in Thailand, which further impacted both auto and tech production in that region. These events followed the horrific earthquake and tsunami in Japan, which seriously disrupted the global supply chain utilizing just in time production, resulting in slower global industrial production. While these events have combined to slow global economic growth during 2011, the biggest impediment to continuing recovery from the Great Recession of 2009 has been Europe's inability to restructure its financial mechanisms to insure financial integrity.

The current sentiment of investors reminds me of the lyrics from Bob Dylan's 1967 classic song called "All Along the Watchtower" which proclaims: "There must be some way out of here...There's too much confusion, I can't get no relief. Businessmen they drink my wine and plowmen dig my earth, none of them along the line know what any of it is worth...So let us not talk falsely now, the hour is getting late..." Indeed, the extended period of confusion and helplessness has hurt investors. Consumption and production continue but new investment has focused mostly on either prime or safe assets. Transaction volumes and prices have eroded across most asset classes because investors have been more concerned with the return of capital rather than returns on capital. Valuation metrics for any amount of risk, and especially for many sub-prime assets, have broken down, and investors no longer have adequate confidence in market prices. Unfortunately, politicians continue to talk falsely and have not been heeding the urgent need to tackle the problems of the 21st century economy. If the New Year brings more constructive engagement, then perhaps we can restore investor confidence, but looking at the current U.S. fiscal condition, it is clear that the hour is getting late.

Similar caution has been evident in the corporate sector over the last few years as companies built up financial liquidity, reduced capital expenditures and delayed hiring. Thus, uncertainty among both investors and the business sector, combined with stretched government fiscal conditions, has reduced capital investment in the economy. Add collapsing confidence in our leaders and we see limited ability to ignite the animal spirits. This is largely responsible for the historically unprecedented delay in recovery from recession. Since the U.S. economy's peak employment levels of January 2008 through the trough on February 2010, the economy shed roughly 8,750,000 jobs, only to add 2,460,000 over the following 21 months through this past November. If the economy were to sustain the

latest three month average monthly gain in payrolls of 143,000 jobs gained per month, we would not reach the old peak of employment until July of 2015, or roughly 7.5 years for a full recovery. Such duration without full recovery is already unprecedented except for the Great Depression!

Traditionally, the two great engines of the U.S. economy have been homebuilding and the automobile industry, both of which extended a multiplier effect to other industries producing products used in cars and homes. While car sales are estimated to achieve annual volume of 12.7 million vehicles, this is still roughly 27% below 2005's peak of trailing 12-month moving average sales. New home sales have been running 77% below the July, 2005 peak levels. Both industries have sought productivity enhancements either through automation of production or prefabrication of components, (further reducing headcounts) add to this cutbacks in the finance sector of the economy, and these industries constitute over 50% of the lower levels of employment since the peak. Clearly our economy has not been running on all cylinders, and we must find new ways of creating goods and services if we cannot currently rekindle historic levels of demand in the near future. Perhaps the downturn has accelerated the transition from an industrial economy to a service economy.

Europe ...Can't Get No Relief... : From Sub-Prime to Sub-Sovereign

While the U.S. is clearly not out of the woods, recent economic activity demonstrated by industrial production numbers and the stability of the financial system are far better than Europe or Japan. Europe's problems, like ours, began to appear in 2007 as the value of subprime debt and the lack of transparency of derivative investments raised the specter of European banks collapsing

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under excessive use of leverage. In addition to questionable investments and corporate loans, it has become evident over the past year and a half that these banks also had exposure to the debt of other European banks and European nations, including the weaker peripheral countries.

The economic importance of major financial institutions within the Euro block is reflected by the relative size of their debts, which constitute over 4.5 trillion Euros of bonds outstanding, in contrast with over 6.5 trillion Euros issued by governments. The size of the European banking sector is so significant because over 80% of corporate credit is originated or supported by banks' balance sheets which require liquidity to inventory loans until they are sold. This contrasts with the U.S., where banks support roughly 40% of all the corporate debt originated while most is, in fact, created directly in the capital markets. In this light, it should be critical for both banks and countries to reduce their debts or increase revenues and raise capital.

...A Way Out of Here for Europe

With the Euro Zone's debt to GDP levels ranging from 80% to 115% (and higher for Greece), the problem at hand is to create a fiscal system to oversee the budget process of each country. Under current conditions, this could mandate either higher taxes or austerity measures, which will likely slow economic activity. While

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this oversight mechanism may not include the ability to tax EU members, it could provide a level of economic control which would facilitate the ECB acting like an interim EU treasury. Over time, we would expect to see significant asset relief as the ECB may follow the Fed's lead and provide quantitative easing (i.e., buy bonds and other debt in the market place in order to inject more money into the system). It may also be essential to create a treasury for issuance of Euro-denominated bonds backed by all the member nations to cover at least a portion of each individual country's outstanding debt obligations. This would significantly reduce the interest costs for countries which currently have a high rate imposed upon them by the market, such as Italy, where the cost of five year bonds rose from 4.1% at the beginning of July to 7.7% by late November. By comparison, German five year money rose from under 1% recently to a high of 1.3%, which might be more reflective of overall Euro denominated debt if it were to come into being. Thus, over time, we believe the political desire for stability will likely lead to the creation of a complete financial infrastructure which could enhance long term stability in the Euro Zone.

Assuming the sovereign debt is stabilized, we would anticipate that the next stage will be recapitalization of European banks. These can either take the form of public market equity raises, mergers or some form of nationalization. It is worth noting that the U.S., Australian and U.K banks, insurance companies and real estate companies commenced recapitalizations and asset sales during early 2009. We expect most European financial institutions to finally begin the same process in 2012, some three years behind their Anglo counterparts. In light of this delay and the aforementioned discussion of the role which European banks play in the corporate capital structure, it is apparent that time needed to heal the excessive debt ratios may also significantly constrain corporate activity. Thus, it is not surprising that most economists expect a recession for Europe in 2012 followed by years of limited growth. However, if successful actions are taken, the decline might only last for one year.

Do Investors Know What Any of It is Worth... ?

A unique aspect of this market in which risk avoidance reigns supreme is that many investors have pulled back on historically perceived higher risk investments such as cyclical industries, commodities, junk bonds and forex exposure. Once the overall level of risk subsides, we would expect most investors will gradually begin to focus on achieving returns on invested capital and resume a longer term perspective. They may start asking questions, such as; (1) where are business or economic conditions going to be favorable for corporate earnings growth, and (2) where is the greatest need for new capital investment? They may also analyze differences between short term investments, medium duration as well as multi year opportunities. For example, over the short term, it is pretty evident that global growth has been slowing, although there may be a few countries where 2012 projections are higher than 2011. For example, Japan is slowly in the process of rebuilding following the devastating earthquake last spring, so several domestic oriented companies should benefit from ongoing stimulus to the economy.

Several other countries that had been managing inflation via restrictive monetary policies during 2011 have begun to lower interest rates in response to overall slowing global growth. This group would include Australia and New Zealand, as well as Brazil, China and Indonesia. Several other countries such as India, Chile and Mexico will also likely ease rates over the coming few months. This new monetary stimulus contrasts sharply with the extraordinarily low interest rates prevalent in core Europe, U.S. and Japan where rates may already be near bottom.

While interest rate cuts could provide a catalyst for short term equity revaluation, longer term valuations are typically dependent upon prevailing business trends which could enhance earnings growth. While most countries are forecast to enjoy improving GDP growth in 2013 versus 2012, several countries in Southeast Asia and Latin America could offer superior medium-term and multi-year growth outlooks, based on demographic, economic and business trends.

The potential for long-term growth and competitive dynamics leading to a return of inflation and, hence, higher interest rates should eventually focus attention on those companies which deserve premiums based on superior adaptability or pricing power, historical innovation, strong market position and elasticity of demand. Unfortunately, index based exchange traded funds, basket traders and momentum algorithm traders have reduced market behavior to risk-on, risk-off single variable daily directional bets. However, as investors return, markets should once again gauge equity and asset valuations in reaction to perceived changes in business prospects and the economy. From currently depressed valuations, the return of investors to equities as directional uncertainty and confusion is relieved could lead to significant revaluation potential over an extended period of time. For a wide variety of distinct businesses, whose prospects evolve with the business cycle, investors may also take a longer term holding period. The efficiency of capital markets will likely depend upon a normalization of investor behavior.

Seven Billion and Counting

Towards the end of October the world population officially went over 7 billion people and it is expected to exceed 8 billion by 2025 and 9 billion by 2050. The current sentiment favoring austerity is antithetical to the pressures of this reality, and austerity measures may remain limited to Europe, where population growth is projected to be negligible. However, social and economic pressure for government and business led capital investment may stimulate expansion for much of the world. Not only must the world find food and shelter for the next generation, but we must make this a more efficient and more understandable world. Technology promised to do the latter, and it has made the world a much smaller place in many ways, but information flow has added complexity and sometimes confusion. Resolving this credit crisis, reorganizing our banking structures and perhaps redefining the priorities of our political representatives, should be very important if developed countries hope to participate in meeting the needs of growing cities

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in the emerging economies. Economic, social and political change are often inter-related so it is not surprising to see the pressures finally boiling over, whether in the Middle East, Greece or even Russia and the U.S. The hopeful emergence of more democratic economies focused on providing individual rights and human needs, will likely be dependent upon the U.S. leading an effective global capital market system. The bottom line is that demographic trends should sustain demand for goods and services, although the nature and timing of this potential will be subject to how the complex web of global development evolves.

...Now the Hour is Getting Late, Focus on What is Most Important

We believe the markets will remain volatile, but to a lesser degree than experienced during 2008 and, of course, 2011. While the exact nature of the economic and political environment to which we are transitioning is not fully clear, what is evident is the need for action and responsible dialogue and debate over the economic realities we face. Individuals and markets should always do better when there is more transparency and understanding. We can each determine our own view of the road ahead if we have enough data and information.

Alpine believes that the economic world should continue with the U.S. as the dominant player, while acknowledging that the other players are changing, particularly as so-called Emerging Markets sustain faster growth and, thus, are set to become a larger force. For now, the U.S. Federal Reserve is the guiding light for most other central banks, as is our economy. This is a world that in most cases merely aspires to what we already have. In our opinion, the U.S. must sustain its competitive advantage through technological innovations which is dependent upon our best educational institutions sustaining top global standards. Vocational schools should be elevated to artisanal standards and encourage apprenticeship for craftsmen. By combining technology and artisanship, our corporations can create better ways of designing, building and delivering superior goods and services. Ideally, these are the companies in which we all seek to invest.

Even when it is dark with storm clouds overhead, Alpine will endeavor to find investment opportunities on your behalf. We look forward to keeping you up to date on our progress and, in this regard, we have embarked on a new approach to streamline the information provided in our individual fund manager reports to shareholders. We are using a simpler format, which we will supplement with commentary from portfolio managers and analysts on our website. In particular, we believe this will allow our message to be focused on both timely and germane topics of discussion. Thus, we encourage shareholders to periodically click on the Alpine Funds website to keep up to date with our thinking and reactions to the capital markets, as well as the world at large. Our goal is to aid in your understanding of the factors which may influence investment decisions for all of us.

In closing, let me express my great appreciation and admiration for Laurence Ashkin, who has retired from his role as a director of

Alpine's Mutual Funds. Larry has been supporting and guiding us since we opened our doors in 1998. He has always set Alpine's fiduciary responsibilities first and offered his insights to all board members. His presence, counsel and commitment shall be missed. We wish him well.

Thank you for your continued support and interest.

Sincerely,

Samuel A. Lieber
President

Past performance is not a guarantee of future results. The specific market, sector or investment conditions that contribute to a Fund's performance may not be replicated in future periods.

Mutual fund investing involves risk. Principal loss is possible. Please refer to the individual fund letters for risks specific to each fund.

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This letter and the letters that follow represent the opinion of Alpine Funds' management and are subject to change, are not guaranteed, and should not be considered investment advice.

This is a Closed-end fund and does not continuously offer shares.

Manager Commentary

October 31, 2011

Dear Investor:

We are pleased to present the 2011 annual report for the Alpine Global Premier Properties Fund (AWP). For the twelve month period ended October 31, 2011 the net asset value per share declined from \$8.43 to \$6.92, which in combination with the distributed dividends in excess of \$0.52 per share produced a total return of -8.21%. The stock price of AWP closed the fiscal annual period at \$6.01, down from \$7.04 providing a total return of -4.54%. The share price on October 31, 2011 represented a discount of -13.15% to the underlying net asset value, which showed some improvement over the prior fiscal year end which stood at -16.49%.

The discount to the net asset value declined to a low of -8.8% in early August before sentiment and performance deteriorated towards the end of September. The market's concern over potential risks due to the European sovereign debt crisis have weighed on all equities, including closed-end fund discounts. Last spring, with the anticipation of some slowing of economic growth in the major developed economies, the Fund's directors and manager sought to increase the income portion of the Fund's potential total return. A decision was made to adopt an industry standard level distribution policy, to include not only earned income, but capital gains, return of capital and other imputed income, which the Fund had previously distributed as special year end dividends. Thus, the dividend distribution rate of the Fund was increased over 50%, from 3.3¢ to 5¢ per month.

Finding Sunshine amidst the Dark Clouds

In Alpine's opinion, global economic activity may slow appreciably in 2012, which could create disparate opportunities and risks for investors. The stock markets have been increasingly affected by macro fears which have superseded corporate fundamentals for the past several months. However, as Europe's sovereign crisis is resolved, investors may focus more on the potential of equity returns. Regions or countries that are expected to sustain growth may attract new capital flows, which could raise both currencies and share prices. On the other hand, where distressed situations are already reflected in fallen prices, inexpensive entry points may create investment opportunities, even in Europe. Alpine is aware of market concerns, yet focused on fundamentals, at macro, sector and individual stock levels.

At its core, real estate investing is a very simple business. It is reminiscent of Economics 101 where we learned that prices go up when demand exceeds supply. Ignoring the madness of the markets, that is, the daily distraction of deals and data points, real estate generally makes money over time when rents and prices increase. Thus, Alpine's job is to focus on investing in companies whose properties it believes can achieve such growth. Alternatively, we also look for investment opportunities where we believe the share price does not reflect the underlying value of the company's property portfolio.

Focusing first on growth, Alpine analyzes demographic data for patterns of population and income growth that could support local or national Gross Domestic Product (GDP) and increased employment. Fundamentally, we focus on cities or countries where

the middle class has been expanding, for this is where we believe a sustainable combination of economic scale and positive momentum can be achieved. History has shown that a wealthy elite minority does not consume enough to lift an economy over an extended period of time, so we seek regions where we believe the broad population should benefit from bottom up economic growth. For example, 28 million Brazilians were lifted out of poverty between 2003 and 2009, according to the World Bank.

After identifying regions where we think the demographic and economic profile looks positive and can be sustained by political will and sound economic management, we then survey the competitive landscape to ascertain both existing real estate inventory and potential new supply. The next step is to understand trends in demand which might influence the absorption rate at which available existing and new real estate supply might be leased or acquired. This annualized rate allows the market to project potential rent trends since developers often utilize absorption trends in projecting a preferred window during which to rent or sell new properties. This analysis also helps Alpine wade through the gloom to find areas where we believe sunshine is beginning to emerge. To illustrate the dynamics of demand/supply and absorption characteristics, a market like London where vacancy rates are currently 6.3% will probably see only modest absorption trending approximately 1% or so over the next couple of years. This should be adequate to take up annual completions exceeding 2 million square feet of new projects over each year and still bring vacancy rates down to projected 5.8% by 2013. This in turn should permit rents to rise modestly from 105£ per square foot to 110£ per square foot according to Cushman & Wakefield over the next two years. Hence, the analysis of new supply versus projected

demand in terms of its location and pricing relative to the existing inventory is a critical factor in analyzing rental growth rates and prospective performance.

Portfolio Construction

During the period, the Fund has hedged a portion of its currency exposure in Europe in an effort to limit volatility arising from the European sovereign debt crisis. As a result, the Fund has offset gains derived as a result of the appreciation of the Euro during this period. We believe that in the current low interest rate environment that there are enough attractive opportunities in the real estate sector to employ leverage in the execution of the Fund's investment strategy.

Alpine's analysis of macroeconomic, demographic and real estate supply and demand characteristics has led to the portfolio you see today, which is weighted almost 35% towards the U.S. to help reduce volatility and provide high dividend yields, with another 31.6% focused primarily on growth opportunities in emerging market countries, principally in Brazil with 19.6% of the Fund's holdings. The Fund's European exposure has been reduced to 20.8%. However, only 7.9% of the total is actually exposed to core European Union countries, primarily in high yielding equities. Most of the remaining European holdings were in the United Kingdom (5.6%) and Scandinavia (2.8%), where Alpine believes prospects are more favorable.

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While the portfolio remains diversified by property type, the most significant portion of the portfolio is focused on shopping centers with over 24%. Of this amount, 9.2% is located in Brazil, where the Fund's manager believes the greatest opportunity can be found for income and asset growth over the next five years. Along with this potential income growth, we remain very positive on the potential valuation growth of these properties. Roughly 7% of the Fund is exposed to Brazilian home builders, which contributed most of the -3.6% decline in the residential portion of the Fund's NAV. Share prices in Brazil have been depressed by rising interest rates (which are now starting to fall) combined with fears that the economic picture would not get much better. These fears were significantly accentuated in August and September when many global investors reduced both emerging market and cyclical exposure in favor of safe haven holdings. Alpine believes that many of these Brazilian companies should produce significant cash flow and dividend streams over the next two years as they begin to deliver pre-sold apartments (which commenced construction some two or three years ago). Assuming economist estimates for 3% to 3.5% GDP growth in Brazil next year, declining interest rates from the peak of 12.75% last summer into the 10% plus range, and continued low unemployment around 6%, we believe the environment for home builders is quite attractive. These stocks are trading at both Price to Earnings (P/E) and, more importantly, enterprise value to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (operating cash flow) multiples of between four to seven times, which offers excellent value and the potential for positive re-rating by equity markets.

Brazilian retail sales have enjoyed double-digit, same store sales growth over the past decade and we believe this is set to continue at or near the same level. During this same time, malls have grown their footprint by roughly 7% per year and we believe the public Brazilian mall developers will grow faster than that over the next three to five years. This combination suggests strong double-digit growth in income and we believe even more so in asset value over the next half decade. Alpine believes this will be sustained not only by the continued rise in earnings power and consumption of an expanding middle class, but also by the mere fact that on a per capita basis, the square footage of Brazilian shopping centers is roughly 1/40th that of the U.S.! Even when adjusted for the lower purchasing power of Brazilian households, the shopping area is dramatically lower than in the U.S. where annual mall sales average \$450 per foot, compared with Brazil at over \$800 per square foot per year in sales. In fact, only 18% of all retail sales occur in Brazil's malls versus over 50% in the U.S. This underpins our belief that there is significant potential for continued high productivity of Brazilian malls relative to the U.S., Europe and Australia. In our opinion, this should offer excellent medium term growth.

Another important area of concentration in the portfolio is U.S. mortgage REITs, both commercial and residential, which constitute roughly 14% of the overall portfolio. Most of these holdings have continued to contribute double-digit dividend yields and trade for modest discounts to book value, which we believe makes them very attractive when compared with the prospective modest growth, low yield, low inflation environment which we believe will persist in the U.S.

Portfolio Analysis

The top five contributors to the Fund's performance over the last fiscal year based on contribution to total return were Simon Properties (+34.10%), Alexander's (+18.94%), Cyrela Commercial Properties (+17.54%), BR Malls (+16.27%), and Starwood Hotels (+12.74%).

Simon Properties, one of the largest REITs in the world engaged in all facets of retail real estate, represented a 1.56% weighted position in the portfolio and was the top contributor to the Fund's performance over the year. Its premier portfolio includes a market-dominant position in the U.S. as well as exposure to Europe, Japan, Mexico and South Korea, primarily through its premier outlets division. Management increased its quarterly dividend and paid a special cash dividend in 2011.

Alexander's, a diversified U.S. REIT, represented a 1.34% average position in the Fund. The New York-centric portfolio includes the iconic Bloomberg headquarters. Vornado owns 32.4% of the outstanding stock.

Cyrela Commercial Properties, a Brazilian commercial real estate developer focusing on large-scale projects strategically located in the Paulista and Faria Lima areas of Sao Paulo and Barra da Tijuca in Rio (site of the 2016 Olympics), represented an average portfolio weighting of 1.51% during the period. The company also develops industrial facilities in partnership with Prologis.

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BR Malls is the largest owner/operator of retail assets across Brazil and is considered to be best positioned to consolidate the fragmented industry. Management's proven track record for growth through acquisition and development has led to the company achieving the lowest cost of capital among Brazilian mall companies. The company represented a 2.28% weighted position in the portfolio.

Starwood Hotels is one of the world's leading hotel companies, with a diverse geographical footprint. The company is using excess cash to buy back its shares, to pay down debt with the expectation of reaching investment grade, and recently increased its annual dividend by 66%. Starwood represented a 0.23% weighted position in the portfolio.

The performance of PDG Realty (-28.31%), CapitaCommercial Trust (-18.99%), Direcional (-30.88%), Westfield (-20.95%) and Housing Development and Infrastructure (-64.50%) had significant adverse impacts on the returns of the portfolio.

PDG Realty, one of the leading residential developers in Brazil represented a 2.11% average weighting in the portfolio and was the Fund's most significant drag on performance during the period. Overall negative sentiment toward the sector in light of high inflation and interest rate expectations through most of 2011, as well as competitors' problems, overwhelmed

Manager Commentary

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sales gains. Strong underlying fundamentals of the business and improved cash burn trends are bringing the company closer to being cash flow positive in 2012.

CapitaCommercial Trust, an SREIT and one of the largest office landlords in Singapore, represented an average portfolio weighting of 2.42% during the period. Greater than expected weakness in the Singapore market due to fears that the Euro crisis might hurt the financial service sectors and lead to negative rental reversions has hurt shares.

Direcional Engenharia is the only publicly traded residential developer focusing on the lowest tier of the Brazilian government's *Minha Casa, Minha Vida* low income housing program and represented a 1.24% average weighting in the portfolio. The company's strong management team and proven execution abilities as well as high relative ROE were unable to outweigh the impact of low liquidity and overall negative sentiment toward the sector in general.

Westfield Group represented a 1.04% average weighting in the portfolio. The Australian REIT is one of the preeminent retail property groups in the world with operations across six countries. Overall negative trends in the retail environment, the impact of the closing of Borders in the U.S., as well as near term refinancing needs and funding issues for an aggressive development pipeline have weighed on the shares. However, having recently visited Westfield's newly-opened Stratford City (London) project, we remain comfortable with our view of Westfield's execution and management capabilities.

Housing Development and Infrastructure (HDIL), an Indian real estate developer focused in Mumbai Metropolitan Region, represented an average portfolio weighting of 0.45%. Supply side constraints have sustained high inflation levels and an aggressive tightening response from India's Central Bank created a substantial liquidity shortage for developers and buyers, resulting in a marked slowdown in the residential market. A depreciating currency and a lack of clarity on the regulatory front exacerbated the impact of a strained macro environment and tough fundamentals. HDIL was also recently dropped from the MSCI Global Index. The shares were sold before fiscal year end.

2012 and Beyond

Given the economic uncertainty which we described in the President's letter to shareholders, it is too early to declare an All Clear for investors. That said, we believe many equity valuations are historically inexpensive and there remain pockets of growth on both regional and sectoral basis. Thus, the realization of these values becomes a matter of waiting for catalysts. Meanwhile, the synchronized directionality which possessed the capital markets from July through October, started to breakdown recently as individual stocks and exchanges have begun to respond to local as opposed to global factors. Alpine believes that the prospect of a stabilization of the sovereign debt crisis in Europe will lead to a

reduction in perceived risk, which should serve as a catalyst for a return of investment into the equity markets, and more specifically, emerging markets and sectors with perceived higher volatility. While so called risk-on trades in positive cyclical stocks may be the first to recover, recapitalizations and possible mergers and acquisitions may create opportunities in slow growth economies in Europe. We expect greater clarity on the current investment climate over the next few months. Hopefully, we will be able to report on such events by our next report to shareholders.

Till then, the Fund anticipates that a sizeable portion of our total return will be derived from the high level of distributions that the Fund is currently paying to shareholders.

Sincerely,

Samuel A. Lieber
Joel E.D. Wells
Bruce Ebnother
Portfolio Managers

Past performance is not a guarantee of future results.

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Please refer to the schedule of investments for fund holding information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. *Current and future portfolio holdings are subject to risk.*

Diversification does not assure a profit nor protect against loss in a declining market.

This letter represents the opinions of the Fund's management and is subject to change, is not guaranteed and should not be considered investment advice.

This is provided to you for informational purposes only, and should not be considered tax advice. Please consult your tax advisor for further assistance.

Equity Securities Risk The stock or other security of a company may not perform as well as expected, and may decrease in value, because of factors related to the company (such as poorer than expected earnings or certain management decisions) or to the industry in which the company is engaged (such as a reduction in the demand for products or services in a particular industry).

Foreign Securities Risk Public information available concerning foreign issuers may be more limited than would be with respect to domestic issuers. Different accounting standards may be used by foreign issuers, and foreign trading markets may not be as liquid as U.S. markets. Additionally, foreign securities also involve currency fluctuation risk, possible imposition of withholding or confiscatory taxes and adverse political or economic developments. These risks may be greater in emerging markets.

Growth Stock Risk Growth stocks typically are very sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the

Manager Commentary

October 31, 2011

prices of growth stocks typically fall. Growth stocks as a group may be out of favor and underperform the overall equity market while the market concentrates on undervalued stocks.

Leverage Risk Leverage creates the likelihood of greater volatility of net asset value; the possibility either that share income will fall if the interest rate on any borrowings rises, or that share income and distributions will fluctuate because the interest rate on any borrowings varies; and if the Fund leverages through borrowings, the Fund may not be permitted to declare dividends or other distributions with respect to its common shares or purchase its capital stock, unless at the time thereof the Fund meets certain asset coverage requirements. The Adviser in its best judgment nevertheless may determine to maintain the Fund's leveraged position if it deems such action to be appropriate in the circumstances.

Management Risk The Adviser's judgment about the quality, relative yield or value of, or market trends affecting, a particular security or sector, or about interest rates generally, may be incorrect. The Adviser's security selections and other investment decisions might produce losses or cause the Fund to underperform when compared to other funds with similar investment objectives and strategies.

Market Risk The price of a security held by the Fund may fall due to changing market, economic or political conditions.

Micro Capitalization Company Risk Investments in micro-cap companies are associated with similar risks as investments in small and medium capitalization companies, but these risks may be even greater with respect to investments in micro-cap companies.

Real Estate Investment Trusts (REITs) Risk REITs' share prices may decline because of adverse developments affecting the real estate industry including changes in interest rates. The returns from REITs may trail returns from the overall market. Additionally, there is always a risk that a given REIT will fail to qualify for favorable tax treatment.

Real Estate-Linked Securities Market Risk Risks associated with investment in securities of companies in the real estate industry include: declines in the value of real estate; risks related to local economic conditions, overbuilding and increased competition; increases in property taxes and operating laws; casualty or condemnation losses; variations in rental income, neighborhood values or the appeal of properties to tenants; changes in interest rates and changes in general economic and market conditions.

Small and Medium Capitalization Company Risk Securities of small or medium capitalization companies are more likely to experience sharper swings in market values, less liquid markets, in which it may be more difficult for the Adviser to sell at times and at prices that the Adviser believes appropriate and generally are more volatile than those of larger companies.

Undervalued Stock Risk Undervalued stocks may perform differently from the market as a whole and may continue to be undervalued by the expenses; changes in zoning market for long periods of time

Initial Public Offerings Risk The Fund may invest a portion of its assets in shares of IPOs. IPOs may have a magnified impact on the performance of a Fund with a small asset base. The impact of IPOs on a Fund's performance likely will decrease as the Fund's asset size increases, which could reduce the Fund's returns. IPOs may not be consistently available to a Fund for investing. IPO shares frequently are volatile in price due to the absence of a prior public market, the small number of shares available for trading and limited information about the issuer. Therefore, a Fund may hold IPO shares for a very short period of time. This may increase the turnover of a Fund and may lead to increased expenses for a Fund, such as commissions and transaction costs. In addition, IPO shares can experience an immediate drop in value if the demand for the securities does not continue to support the offering price.

The following are definitions of some of the terms used in this report:

Price/Earnings Ratio (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. Normalized earnings earnings metric that shows you want earnings look like smoothed out in the long run, taking into account the cyclical changes in an economy or stock.

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is essentially Net Income with interest, taxes, depreciation, and amortization added back to it. EBITDA can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. However, this is a non-GAAP measure that allows a greater amount of discretion as to what is

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(and is not) included in the calculation. This also means that companies often change the items included in their EBITDA calculation from one reporting period to the next.

Enterprise Value is a measure of a company's value. It is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Book Value is the accounting value of the firm. It is calculated as total assets minus intangible assets and liabilities.

Return on Equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Real Estate Investment Trust (REIT) is a security that trades like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.

MSCI Global Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

An investor cannot invest directly in an index.

This is a closed-end fund and does not continuously offer shares.

Manager Commentary

October 31, 2011

PERFORMANCE⁽¹⁾ *As of October 31, 2011*

	<i>Ending Value as of 10/31/11</i>	<i>1 Year</i>	<i>Three Years</i>	<i>Since Inception⁽²⁾⁽³⁾⁽⁴⁾</i>
Alpine Global Premier Properties Fund | NAV	\$6.92	(8.21%)	25.08%	(10.02%)
Alpine Global Premier Properties Fund | Market Price	\$6.01	(4.54%)	24.06%	(13.71%)
MSCI US REIT Total Return Index		10.59%	16.79%	(3.00%)
S&P / Citigroup World Net Total Return \$ US Property Index		0.80%	15.12%	(7.17%)

⁽¹⁾ Performance information calculated after consideration of dividend reinvestment.

⁽²⁾ Commenced operations on April 26, 2007.

⁽³⁾ Annualized.

⁽⁴⁾ IPO price of \$20 used in calculating performance information.

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings (IPOs), there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPO offerings in the future.

Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns and principle value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Call 1(800)617.7616 or visit www.alpinecef.com for current month-end performance.

S&P/Citigroup World Net Total Return US\$ Property Index is an unmanaged market-weighted total return index available on a monthly basis. The index consists of many companies from developed markets whose floats are larger than \$100 million and derive more than half of their revenue from property-related activities.

The MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity REITs that are included in the MSCI US Investable Market 2500 Index, with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index represents approximately 85% of the US REIT universe.

PORTFOLIO DISTRIBUTIONS***TOP 10 HOLDINGS***

ARA Asset Management, Ltd.	3.0%	Singapore
Emlak Konut Gayrimenkul Yatirim Ortakligi	2.9%	Turkey
BR Malls Participacoes SA	2.7%	Brazil

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Multiplan Empreendimentos Imobiliarios SA	2.4%	Brazil
Brookfield Properties Corp.	2.2%	United States
American Capital Agency Corp.	2.2%	United States
Accor SA	2.1%	France
Simon Property Group, Inc.	2.1%	United States
CBL & Associates Properties, Inc.	2.0%	United States
PDG Realty SA Empreendimentos e Participacoes	2.0%	Brazil
Top 10 Holdings	23.6%	

TOP 5 COUNTRIES*

United States	34.8%
Brazil	19.6%
Singapore	9.3%
United Kingdom	5.6%
France	4.4%

* *Portfolio holdings and sector distributions are as of 10/31/11 and are subject to change. Portfolio holdings are not recommendations to buy or sell any securities. Top 10 Holdings do not include short-term investments. Portfolio Distributions percentages are based on total investments and Top 10 Holdings percentages are based on total net assets.*

Manager Commentary

October 31, 2011

REGIONAL ALLOCATION* *As of October 31, 2011*

* *As a percentage of total investments, excluding any short-term investments.*

NAV AND MARKET PRICE *As of October 31, 2011*

Report of Independent Registered Public Accounting Firm

October 31, 2011

To the Shareholders and Board of Trustees of
Alpine Global Premier Properties Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of portfolio investments of Alpine Global Premier Properties Fund (the Fund) as of October 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Alpine Global Premier Properties Fund as of October 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Milwaukee, Wisconsin
December 30, 2011

Schedule of Portfolio Investments

October 31, 2011

Description	Shares	Value (Note 1)
COMMON STOCKS (98.6%)		
Australia (2.7%)		
FKP Property Group	6,000,000	\$3,092,243
Goodman Group	4,000,000	2,599,363
Stockland	4,400,000	14,529,700
		20,221,306
Brazil (19.6%)		
Aliansce Shopping Centers SA	1,141,210	8,608,014
BHG SA-Brazil Hospitality Group*	835,619	8,468,865
BR Malls Participacoes SA	1,880,473	20,317,893
BR Properties SA	1,008,449	10,161,731
Brasil Brokers Participacoes SA	563,300	2,277,020
Cyrela Commercial Properties SA Empreendimentos e Participacoes	1,500,842	13,724,681
Direcional Engenharia SA	1,595,842	8,365,657
Gafisa SA	2,852,400	10,583,212
Iguatemi Empresa de Shopping Centers SA	665,538	12,897,137
MRV Engenharia e Participacoes SA	1,510,200	10,643,574
Multiplan Empreendimentos Imobiliarios SA	905,000	18,301,890
PDG Realty SA Empreendimentos e Participacoes	3,394,328	14,966,400
Rossi Residencial SA	1,000,609	6,323,562
Sonae Sierra Brasil SA	225,000	3,012,931
		148,652,567
Chile (0.6%)		
Parque Arauco SA	2,378,557	4,558,557
China (2.9%)		
Capita Retail China Trust	5,414,000	5,057,767
Evergrande Real Estate Group, Ltd.	12,000,000	5,189,621
Franshion Properties China, Ltd.	16,185,760	3,324,406
Renhe Commercial Holdings Co., Ltd.	32,652,000	4,575,496
Shimao Property Holdings, Ltd.	2,125,500	2,080,545
Soho China, Ltd.	2,778,500	1,970,408
		22,198,243
Egypt (0.3%)		
Talaat Moustafa Group*	4,502,120	2,690,491
France (4.4%)		

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Accor SA	500,526	16,359,166
Eurosic, Inc.	19,291	853,806
Kaufman & Broad SA*	76,644	1,530,305
Nexity SA	358,719	10,334,964
Unibail-Rodamco SE	20,000	3,976,187

33,054,428

Description	Shares	Value (Note 1)
Germany (2.5%)		
Alstria Office REIT-AG	279,197	\$3,580,046
DIC Asset AG	653,242	5,958,623
Prime Office REIT AG*	800,000	5,291,269
Sirius Real Estate, Ltd.*	4,996,244	1,607,343
Treveria PLC *	11,057,500	2,371,541
		18,808,822
Hong Kong (2.8%)		
Hang Lung Properties, Ltd.	2,000,000	7,245,558
Hongkong Land Holdings, Ltd.	810,000	4,256,578
Mandarin Oriental International, Ltd.	1,956,000	3,163,961
Sino Land Co., Ltd.	2,000,000	3,161,473
The Hongkong & Shanghai Hotels, Ltd.	2,378,062	3,167,678
		20,995,248
India (0.9%)		
Hirco PLC*	2,434,368	2,230,465
Phoenix Mills, Ltd.-Merrill Lynch & Co., Inc.	35,309	145,173
Unitech Corporate Parks PLC*	2,504,000	1,066,162
Yatra Capital, Ltd.*	666,500	3,076,189
		6,517,989
Japan (0.8%)		
Frontier Real Estate Investment Corp.	707	6,130,784
Netherlands (0.3%)		
Eurocommercial Properties NV	54,886	2,340,973
Norway (0.6%)		
Norwegian Property ASA	2,986,768	4,676,946
Philippines (1.6%)		
SM Prime Holdings, Inc. ⁽¹⁾	40,000,000	12,121,312
Poland (0.2%)		
Atrium European Real Estate, Ltd.	251,807	1,269,242
Globe Trade Centre SA*	31,674	113,373
		1,382,615
Russia (0.5%)		
Etalon Group, Ltd.-GDR ⁽²⁾	475,000	2,336,050
PIK Group-GDR ⁽²⁾	250,502	743,991
RGI International, Ltd.*	837,461	1,048,545

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		4,128,586
Singapore (9.3%)		
ARA Asset Management, Ltd. ⁽²⁾	21,782,640	\$22,565,239
Ascott Residence Trust	6,710,582	5,585,233
Banyan Tree Holdings, Ltd.	8,655,400	5,406,121
CapitaCommercial Trust	15,166,300	13,548,372
CapitaMalls Asia, Ltd.	5,000,000	5,387,544

Schedule of Portfolio Investments

October 31, 2011

Description	Shares	Value (Note 1)
Singapore (9.3%) (continued)		
Global Logistic Properties, Ltd.*	6,594,924	\$9,182,307
Parkway Life REIT	3,503,000	4,998,883
Starhill Global REIT	8,007,071	3,820,294
		70,493,993
Spain (1.0%)		
Abertis Infraestructuras SA	475,000	7,816,403
Sweden (2.2%)		
JM AB	639,945	11,611,425
Skanska AB-B Shares	303,200	4,950,920
		16,562,345
Thailand (2.1%)		
Central Pattana PCL	5,155,000	5,411,657
Minor International PCL	23,771,800	8,050,955
SC Asset Corp. PCL	8,063,800	2,469,467
		15,932,079
Turkey (2.9%)		
Emlak Konut Gayrimenkul Yatirim Ortakligi	16,075,152	21,682,111
United Kingdom (5.6%)		
Great Portland Estates PLC	1,260,478	7,535,221
Hammerson PLC	1,000,000	6,533,103
LXB Retail Properties PLC*	3,210,000	5,217,341
Metric Property Investments PLC	2,416,063	3,879,681
Regus PLC	10,785,015	13,090,098
Songbird Estates PLC*	3,442,069	6,553,706
		42,809,150
United States (34.8%)		
AG Mortgage Investment Trust, Inc.	210,000	3,809,400
Alexander s, Inc.	28,411	12,321,851
Alexandria Real Estate Equities, Inc.	123,739	8,177,910
American Capital Agency Corp.	594,970	16,367,625
American Capital Mortgage Investment Corp.	303,408	5,515,957
Apollo Commercial Real Estate Finance, Inc.	465,922	6,527,567
Apollo Residential Mortgage, Inc*	100,400	1,637,524
Brookdale Senior Living, Inc.*	200,000	3,316,000
Brookfield Properties Corp.	1,026,485	16,957,532
CBL & Associates Properties, Inc.	1,004,353	15,446,949
Chatham Lodging Trust	435,098	4,894,852
Chesapeake Lodging Trust	167,412	2,501,135
Chimera Investment Corp.	3,031,660	9,125,297

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Colony Financial, Inc.	965,507	14,163,988
DiamondRock Hospitality Co.	581,974	5,266,865
Digital Realty Trust, Inc.	95,748	5,967,973
DuPont Fabros Technology, Inc.	89,243	1,855,362
Entertainment Properties Trust	147,800	6,621,440

Description	Shares	Value (Note 1)
United States (34.8%) (continued)		
Excel Trust, Inc.	576,923	\$6,063,461
General Growth Properties, Inc.	870,929	12,802,656
Host Hotels & Resorts, Inc.	410,569	5,858,820
Hudson Pacific Properties, Inc.	34,376	459,263
Invesco Mortgage Capital, Inc.	880,000	13,886,400
Jones Lang LaSalle, Inc.	50,000	3,231,000
Lennar Corp.-Class A	233,750	3,866,225
MFA Financial, Inc.	1,882,000	12,703,500
Ocwen Financial Corp.*	276,059	4,002,855
PennyMac Mortgage Investment Trust	65,000	1,111,500
ProLogis, Inc.	273,572	8,141,503
RLJ Lodging Trust	200,000	2,964,000
Simon Property Group, Inc.	122,665	15,755,093
Starwood Hotels & Resorts Worldwide, Inc.	210,000	10,523,100
Starwood Property Trust, Inc.	540,000	10,146,600
Two Harbors Investment Corp.	1,296,931	12,126,305
		264,117,508

TOTAL COMMON STOCKS (Identified Cost \$722,815,990)		747,892,456
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PREFERRED STOCKS (0.1%)

United States (0.1%)		
Beazer Homes USA, Inc., 7.500%	62,000	737,800

TOTAL PREFERRED STOCKS (Identified Cost \$1,550,000)		737,800
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WARRANTS (0.0%)(3)

Thailand (0.0%)(3)		
Minor International PCL, expires 10/12/31 at 13.00 (Thailand Baht)*	2,377,180	98,179

TOTAL WARRANTS (Identified Cost \$0)		98,179
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**EQUITY-LINKED STRUCTURED
NOTES (0.4%)**

India (0.4%)		
Phoenix Mills, Ltd.-Merrill Lynch & Co., Inc.*	850,000	3,494,784

TOTAL EQUITY-LINKED STRUCTURED NOTES		3,494,784
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(Identified Cost \$2,800,155)

Schedule of Portfolio Investments

October 31, 2011

Description	Shares	Value (Note 1)
TOTAL INVESTMENTS		
(Identified Cost \$727,166,145) - (99.1%) ⁽⁴⁾		\$752,223,219
OTHER ASSETS IN EXCESS OF LIABILITIES - (0.9%)		6,494,563
NET ASSETS (100.0%)		\$758,717,782

* *Non-income producing security.*

⁽¹⁾ *Affiliated issuer. See Note 5 in the Notes to Financial Statements.*

⁽²⁾ *Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid in accordance with procedures adopted by the Fund's Board of Trustees. As of October 31, 2011, securities restricted under Rule 144A had a total value of \$25,645,280 which comprised 3.4% of the Fund's net assets.*

⁽³⁾ *Less than 0.05% of Net Assets.*

⁽⁴⁾ *Includes securities pledged as collateral for line of credit outstanding on October 31, 2011.*

Common Abbreviations

AB - Aktiebolag is the Swedish equivalent of the term corporation.

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders.

ASA - Allmennaksjeselskap is the Norwegian term for a public limited company.

GDR - Global Depositary Receipt

NV - Naamloze Vennootschap is the Dutch term for a public limited liability corporation.

PCL - Public Company Limited

PLC - Public Limited Company

REIT - Real Estate Investment Trust

SA - Generally designates corporations in various countries, mostly those employing the civil law.

See Notes to Financial Statements.

Statement of Assets and Liabilities

October 31, 2011

ASSETS

Investments, at value ⁽¹⁾	\$740,101,907
Affiliated issuers, at value ⁽²⁾	12,121,312
Foreign currency, at value ⁽³⁾	506,979
Unrealized appreciation on forward currency contracts	118,316
Receivable for investment securities sold	62,779,670
Dividends receivable	1,202,012
Prepaid and other assets	433,029
Total Assets	817,263,225

LIABILITIES

Loan payable	45,570,297
Interest on loan payable	5,340
Payable for investment securities purchased	11,907,351
Accrued expenses and other liabilities:	
Investment advisory fees	652,281
Administrative fees	26,931
Compliance fees	68,379
Other	314,864
Total Liabilities	58,545,443
Net Assets	\$758,717,782

NET ASSETS REPRESENTED BY

Paid-in-capital	\$1,996,509,950
Distributions in excess of net investment income	(35,025,490)
Accumulated net realized loss on investments, swap contracts and foreign currency	(1,227,952,212)
Net unrealized appreciation on investments and foreign currency translations	25,185,534
Net Assets	\$758,717,782
Net asset value	
Net assets	\$758,717,782
Shares of beneficial interest issued and outstanding	109,593,211
Net asset value per share	\$6.92
⁽¹⁾ Total Cost of Investments	\$716,991,718
⁽²⁾ Total Cost of Affiliated Issuers	\$10,174,427
⁽³⁾ Total Cost of Foreign Currency	\$506,967

See Notes to Financial Statements.

Statement of Operations

For the Year Ended October 31, 2022

INCOME

Dividends ⁽¹⁾	\$46,266,946
Affiliated Dividends ⁽²⁾	174,535
Total Income	46,441,481

EXPENSES:

Interest on loan	396,625
Investment advisory fee	9,039,690
Administrative fee	640,350
Audit and tax fees	83,216
Custodian fees	165,477
Compliance fees	70,254
Insurance fees	21,760
Legal fees	71,589
Printing fees	274,088
Trustee fees	73,974
NYSE fees	111,387
Miscellaneous fees	275,050
Total Expenses	11,223,460
Net Investment Income	35,218,021

NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY

Net realized loss on investments:	
Securities transactions	(16,411,481)
Foreign currency transactions	(1,314,320)
Net realized loss on investments	(17,725,801)
Change in unrealized appreciation/(depreciation) of:	
Investments	(95,031,644)
Foreign currency translations	168,458
Net unrealized depreciation of investments	(94,863,186)
Net realized/unrealized loss on investments and foreign currency	(112,588,987)
Net Decrease in Net Assets Resulting from Operations	\$(77,370,966)

⁽¹⁾ Net of foreign taxes withheld	\$1,834,405
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⁽²⁾ Net of foreign taxes withheld

74,801

See Notes to Financial Statements.

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Statement of Changes in Net Assets

	For the Year Ended October 31, 2011	For the Year Ended October 31, 2010
OPERATIONS		
Net investment income	\$35,218,021	\$39,150,214
Net realized gain/(loss) on investments:		
Securities transactions	(16,411,481)	(24,079,291)
Swap contracts		(2,501,148)
Foreign currency transactions	(1,314,320)	(302,912)
Net change in unrealized appreciation/(depreciation) of:		
Investments	(95,031,644)	172,496,115
Foreign currency translations	168,458	7,330,729
Net increase/(decrease) in net assets resulting from operations	(77,370,966)	192,093,707
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(64,127,086)	(68,536,746)
From tax return of capital	(18,498,905)	
Net decrease in net assets resulting from distributions to shareholders	(82,625,991)	(68,536,746)
CAPITAL SHARE TRANSACTIONS		
Common stock issued to stockholders from reinvestment of dividends	28,961,437	
Net increase in net assets derived from capital share transactions	28,961,437	
Net Increase/(Decrease) in Net Assets	(131,035,520)	123,556,961
Net Assets		
Beginning of year	889,753,302	766,196,341
End of year*	\$758,717,782	\$889,753,302
* Including distributions in excess of net investment income of:	\$(35,025,490)	\$(17,975,830)

See Notes to Financial Statements.

Financial Highlights

	For the Year Ended October 31, 2011	For the Year Ended October 31, 2010	For the Year Ended October 31, 2009	For the Year Ended October 31, 2008	For the Period Ended October 31, 2007 ⁽¹⁾
PER COMMON SHARE OPERATING PERFORMANCE					
Net asset value per share, beginning of period	\$8.43	\$7.26	\$5.00	\$18.04	\$19.10
Income from investment operations:					
Net investment income	0.34	0.37	0.53	1.41	0.55
Net realized and unrealized gain/(loss) on investments, swap contracts and foreign currency	(1.08)	1.45	2.28	(12.93)	(0.95)
Total from investment operations	(0.74)	1.82	2.81	(11.52)	(0.40)
LESS DISTRIBUTIONS TO COMMON SHAREHOLDERS					
From net investment income	(0.60)	(0.65)	(0.55)	(1.27)	(0.56)
From tax return of capital	(0.17)			(0.25)	(0.07)
Total distributions	(0.77)	(0.65)	(0.55)	(1.52)	(0.63)
CAPITAL SHARE TRANSACTIONS					
Common share offering costs charged to paid-in-capital					(0.03)
Total capital share transactions					(0.03)
Net asset value per share, end of period	\$6.92	\$8.43	\$7.26	\$5.00	\$18.04
Per share market value, end of period	\$6.01	\$7.04	\$5.79	\$4.45	\$15.71
Total return based on:					
Net Asset Value ⁽²⁾	(8.21)%	28.31%	66.15%	(67.74)%	(1.69)%
Market Value ⁽²⁾	(4.54)%	34.36%	48.89%	(67.03)%	(18.41)%
RATIOS/SUPPLEMENTAL DATA					
Net Assets attributable to common shares, at end of period (000)	\$758,718	\$889,753	\$766,196	\$530,868	\$1,908,062
Ratio of total expenses to average net assets	1.29%	1.37%	1.34%	1.44%	1.21% ⁽³⁾
	1.25%	1.32%	1.33%	1.29%	

Ratio of total expenses excluding interest expense to average net assets

Ratio of net investment income to average net assets

Portfolio turnover rate⁽⁴⁾

4.06%	4.97%	9.88%	11.41%	6.31% ⁽³⁾
67%	115%	153%	263%	89% ⁽⁵⁾

Borrowing at End of Period

Aggregate Amount Outstanding (000)	\$45,570	N/A	\$18,610	\$17,974	\$28,500
Asset Coverage Per \$1,000 (000)	\$17,650	N/A	\$42,171	\$30,535	\$67,950

⁽¹⁾ For the period from April 26, 2007 (inception of the fund) to October 31, 2007.

⁽²⁾ Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return on net asset value reflects at \$20.00 opening IPO price and sales load of \$0.90 per share for the period ended October 31, 2007. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

⁽³⁾ Annualized.

⁽⁴⁾ Portfolio turnover rate does not reflect total return swap transactions. (See Note 2 under Notes to Financial Statements)

⁽⁵⁾ Not Annualized.

See Notes to Financial Statements.

Notes to Financial Statements

October 31, 2011

1. ORGANIZATION:

Alpine Global Premier Properties Fund (the Fund) is a diversified, closed-end management investment company. The Fund's primary investment objective is capital appreciation. The Fund's secondary investment objective is high current income.

The Fund had no operations prior to April 26, 2007 other than matters relating to its organization and the sale and issuance of 213,089.005 shares of beneficial interest in the Fund to a group consisting of Alpine Woods Capital Investors, LLC (Alpine Woods), certain of its officers and parties either related to or affiliated with those officers and 6,235.602 shares of beneficial interest in the Fund to the Independent Trustees at the initial subscription price of \$19.10 per share. Alpine Woods serves as the Fund's investment adviser. The Fund's Common Shares are listed on the New York Stock Exchange (NYSE) under the symbol AWP.

2. SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of their financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (GAAP), which require management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from those estimates.

Valuation of Securities: The net asset value (NAV) of shares of the Fund is calculated by dividing the value of the Fund's net assets by the number of outstanding shares. NAV is determined each day the NYSE is open as of the close of regular trading (normally, 4:00 p.m., Eastern time). In computing NAV, portfolio securities of the Fund are valued at their current market values determined on the basis of market quotations. In computing the Fund's net asset value, portfolio securities that are traded on a securities exchange in the United States, except for option securities, are valued at the last reported sale price as of the time of valuation, or lacking any current reported sale at the time of valuation, at the mean between the most recent bid and asked quotations, or if market quotations are not available or determined to be unreliable, through procedures and/or guidelines established by the Board of Trustees. Each option security traded on a securities exchange in the United States is valued at the last current reported sale price as of the time of valuation if the last current reported sale price falls within the consolidated bid/ask quote for the option security. If the last current reported sale price as of the time of valuation does not fall within the consolidated bid/ask quote for the option security, the security is valued at the mid-point of the consolidated bid/ask quote for the option security. Each security traded in the over-the-counter market and quoted on the NASDAQ National Market System, is valued at the NASDAQ Official Closing Price (NOCP), as determined by NASDAQ, or lacking an NOCP, the last current reported sale price as of the time

of valuation by NASDAQ, or lacking any current reported sale on NASDAQ at the time of valuation, at the mean between the most recent bid and asked quotations. Each over-the-counter option that is not traded through the Options Clearing Corporation is valued by the counterparty, or if the counterparty's price is not readily available then by using the Black Scholes method. Each other security traded over-the-counter is valued at the mean between the most recent bid and asked quotations. Short-term securities with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

Securities that are principally traded in a foreign market are valued at the last current sale price at the time of valuation or lacking any current or reported sale, at the time of valuation, at the mean between the most recent bid and asked quotations as of the close of the appropriate exchange or other designated time. Trading in securities on European and Far Eastern securities exchanges and over-the-counter markets is normally completed at various times before the close of business on each day on which the NYSE is open. Trading of these securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays or on other days when the NYSE is not open and on which the Fund's net asset value is not calculated. As stated below, if the market prices are not readily available or are not reflective of the fair value of the security, as of the close of the regular trading on the NYSE (normally, 4:00 pm Eastern time), the security will be priced at a fair value following procedures approved by the Board of Trustees.

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When market quotations are not readily available or when the valuation methods mentioned above are not reflective of a fair value of the security, the security is valued at fair value following procedures and/or guidelines approved by the Board of Trustees. The Fund may also use fair value pricing, if the value of a security it holds is, pursuant to Board of Trustees guidelines, materially affected by events occurring before the Fund's pricing time but after the close of the primary market or exchange on which the security is traded. These procedures may utilize valuations furnished by pricing services approved by the Board of Trustees, which may be based on market transactions for comparable securities and various relationships between securities that are generally recognized by institutional traders, a computerized matrix system, or appraisals derived from information concerning the securities or similar securities received from recognized dealers in those securities. When fair value pricing is employed, the value of the portfolio security used to calculate the Fund's net asset value may differ from quoted or official closing prices.

Fair Value Measurement: In accordance with GAAP, the Fund uses a three-tier hierarchy to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be

Notes to Financial Statements

October 31, 2011

observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entities own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 - Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Various inputs are used in determining the value of the Fund's investments as of the reporting period end. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards.

The following is a summary of the inputs used to value the Fund's net assets as of October 31, 2011:

Investments in Securities at Value*	Valuation Inputs			Total Value
	Level 1*	Level 2*	Level 3**	
Common Stocks				
Australia	\$	\$ 20,221,306	\$	\$ 20,221,306
Brazil	148,652,567			148,652,567
Chile	4,558,557			4,558,557
China		22,198,243		22,198,243
Egypt		2,690,491		2,690,491
France		33,054,428		33,054,428
Germany	9,270,153	9,538,669		18,808,822
Hong Kong		20,995,248		20,995,248
India		6,517,989		6,517,989

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Japan	6,130,784	6,130,784	
Netherlands	2,340,973	2,340,973	
Norway	4,676,946	4,676,946	
Philippines	12,121,312	12,121,312	
Poland	1,382,615	1,382,615	
Russia	4,128,586	4,128,586	
Singapore	70,493,993	70,493,993	
Spain	7,816,403	7,816,403	
Sweden	16,562,345	16,562,345	
Thailand	15,932,079	15,932,079	
Turkey	21,682,111	21,682,111	
United Kingdom	42,809,150	42,809,150	
United States	264,117,508	264,117,508	
Preferred Stocks			
United States	737,800	737,800	
Warrants			
Thailand	98,179	98,179	
Equity-Linked Structured Notes			
India	3,494,784	3,494,784	
Total	\$ 427,434,764	\$ 324,788,455	\$ 752,223,219

Notes to Financial Statements

October 31, 2011

Valuation Inputs

Other Financial Instruments	Level 1	Level 2	Level 3	Total Value
Assets				
Forward Currency Contracts	\$	\$ 118,316	\$	\$ 118,316
Total	\$	\$ 118,316	\$	\$ 118,316

* During the fiscal year ended October 31, 2011 there were significant transfers between Level 1 and Level 2 securities. A security's classification as Level 1 or Level 2 within the Fund can move on a daily basis throughout the year depending on whether or not the Fund has determined the value of securities principally traded in foreign markets has become stale between the close of the foreign exchanges and the time the Fund calculates its NAV. If management determines the price has become stale, a fair value adjustment will be made to the impacted securities and these fair value adjusted securities are considered to be priced using Level 2 inputs. As a result, it is not practicable to disclose transfers between Level 1 and Level 2 within the fair value hierarchy for the year ended October 31, 2011.

** During the fiscal year ended October 31, 2011, the Fund did not hold any Level 3 securities.

Security Transactions and Investment Income: Security transactions are recorded on the date a security is purchased or sold (i.e. on the trade date). Realized gains and losses are computed on the identified cost basis. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums, where applicable. Dividend income is recorded on the ex-dividend date or in the case of some foreign securities, on the date thereafter when the Fund is made aware of the dividend. Foreign income may be subject to foreign withholding taxes, which are accrued as applicable. Capital gains realized on some foreign securities are subject to foreign taxes, which are accrued as applicable. Dividends and interest from non-U.S. sources received by the Fund are generally subject to non-U.S. withholding taxes at rates ranging up to 30%. Such withholding taxes may be reduced or eliminated under the terms of applicable U.S. income tax treaties, and the Fund intends to undertake any procedural steps required to claim the benefits of such treaties.

Income Taxes: It is the Fund's policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute timely, all of its investment company taxable income and net realized capital gains to shareholders. Therefore, no federal income tax provision is recorded. Under applicable foreign tax laws, a withholding tax may be imposed on interest, dividends, and capital gains earned on foreign investments. Where available, the Fund will file for claims on foreign taxes withheld.

The Fund accounts for uncertainty related to income taxes in accordance with U.S. GAAP. The Fund recognizes tax benefits only if it is more likely than not that a tax position (including the Fund's assertion that its income is exempt from tax) will be sustained upon examination.

The Fund has no material uncertain tax positions and has no unrecognized tax benefits as of October 31, 2011. Since its inception, the Fund has not recorded any amounts for interest or penalties related to uncertain tax benefits. The statute of limitations on the Fund's Federal and New York State tax return filings remains open for the years ended October 31, 2007, and October 31, 2008 through October 31, 2011.

Distributions: On July 5, 2011, the Trust, acting in accordance with

an exemptive order received from the SEC and with approval of the Board, adopted a level distribution policy under which the Trust intends to make regular monthly cash distributions to common shareholders, stated in terms of a fixed amount per common share. With this policy the Trust can now include long-term capital gains in its distribution as frequently as twelve times a year. In practice, the Board views their approval of this policy as a

potbottom;background-color:#cceeef;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;">

1999

97%
Devonshire

Hemet, CA

Garden

276

207,200

1988

2002

96%
Huntington Breakers

Huntington Beach, CA

Mid-rise

342

241,700

1984

1997

96%
The Huntington

Huntington Beach, CA

Garden

276

202,256

1975

2012

97%
Axis 2300

Irvine, CA

Mid-rise

115

170,714

2010

2010

97%
Hillsborough Park ⁽⁸⁾

La Habra, CA

Garden

235

215,500

1999

1999

97%
Village Green

La Habra, CA

Garden

272

175,762

1971

2014

96%
The Palms at Laguna Niguel

Laguna Niguel, CA

Garden

460

362,136

1988

2014

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97%
Trabuco Villas
Lake Forest, CA
Mid-rise
132

131,000

1985
1997
98%
Marbrisa
Long Beach, CA
Mid-rise
202

122,800

1987
2002
96%
Pathways at Bixby Village
Long Beach, CA
Garden
296

197,700

1975
1991
97%
5600 Wilshire
Los Angeles, CA
Mid-rise
284

243,910

2008

2014

97%
Alessio

Los Angeles, CA

Mid-rise

624

552,716

2001

2014

96%
Ashton Sherman Village

Los Angeles, CA

Mid-rise

264

296,186

2014

2016

97%
Avant

Los Angeles, CA

Mid-rise

440

305,989

2014

2015

96%
The Avery

Los Angeles, CA

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Mid-rise

121

129,393

2014

2014

97%
Bellerive

Los Angeles, CA

Mid-rise

63

79,296

2011

2011

98%
Belmont Station

Los Angeles, CA

Mid-rise

275

225,000

2009

2009

97%
Bunker Hill

Los Angeles, CA

High-rise

456

346,600

1968

1998

93%
Catalina Gardens

Los Angeles, CA

Mid-rise

128

117,585

1987

2014

97%

29

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Communities ⁽¹⁾	Location	Type	Homes	Apartment Square Footage	Rentable Year Built	Year Acquired	Occupancy ⁽²⁾
Cochran Apartments	Los Angeles, CA	Mid-rise	58	51,400	1989	1998	97%
Emerson Valley Village	Los Angeles, CA	Mid-rise	144	179,060	2012	2016	96%
Gas Company Lofts ⁽⁷⁾	Los Angeles, CA	High-rise	251	226,666	2004	2013	96%
Kings Road	Los Angeles, CA	Mid-rise	196	132,100	1979	1997	97%
Marbella	Los Angeles, CA	Mid-rise	60	50,108	1991	2005	97%
Pacific Electric Lofts ⁽⁹⁾	Los Angeles, CA	High-rise	314	277,980	2006	2012	96%
Park Catalina	Los Angeles, CA	Mid-rise	90	72,864	2002	2012	97%
Park Place	Los Angeles, CA	Mid-rise	60	48,000	1988	1997	97%
Regency Palm Court ⁽⁷⁾	Los Angeles, CA	Mid-rise	116	54,844	1987	2014	96%
Santee Court	Los Angeles, CA	High-rise	165	132,040	2004	2010	96%
Santee Village	Los Angeles, CA	High-rise	73	69,817	2011	2011	96%
Tiffany Court	Los Angeles, CA	Mid-rise	101	74,538	1987	2014	98%
Wilshire La Brea	Los Angeles, CA	Mid-rise	478	354,972	2014	2014	97%
Windsor Court ⁽⁷⁾	Los Angeles, CA	Mid-rise	95	51,266	1987	2014	96%
Windsor Court	Los Angeles, CA	Mid-rise	58	46,600	1988	1997	97%
Aqua Marina Del Rey	Marina Del Rey, CA	Mid-rise	500	479,312	2001	2014	97%
Marina City Club ⁽¹⁰⁾	Marina Del Rey, CA	Mid-rise	101	127,200	1971	2004	97%
Mirabella	Marina Del Rey, CA	Mid-rise	188	176,800	2000	2000	97%
Mira Monte	Mira Mesa, CA	Garden	354	262,600	1982	2002	97%
Hillcrest Park	Newbury Park, CA	Garden	608	521,900	1973	1998	97%
Fairway Apartments at Big Canyon ⁽¹¹⁾	Newport Beach, CA	Mid-rise	74	107,100	1972	1999	97%
Muse	North Hollywood, CA	Mid-rise	152	135,292	2011	2011	97%
Country Villas	Oceanside, CA	Garden	180	179,700	1976	2002	97%
Mission Hills	Oceanside, CA	Garden	282	244,000	1984	2005	97%
Renaissance at Uptown Orange	Orange, CA	Mid-rise	460	432,836	2007	2014	97%
Mariner's Place	Oxnard, CA	Garden	105	77,200	1987	2000	98%
Monterey Villas	Oxnard, CA	Garden	122	122,100	1974	1997	97%
Tierra Vista	Oxnard, CA	Mid-rise	404	387,100	2001	2001	97%
Arbors at Parc Rose ⁽⁹⁾	Oxnard, CA	Mid-rise	373	503,196	2001	2011	97%
The Hallie	Pasadena, CA	Mid-rise	292	216,700	1972	1997	96%
The Stuart	Pasadena, CA	Mid-rise	188	168,630	2007	2014	97%
Villa Angelina	Placentia, CA	Garden	256	217,600	1970	2001	97%
Fountain Park	Playa Vista, CA	Mid-rise	705	608,900	2002	2004	96%
Highridge ⁽⁴⁾	Rancho Palos Verdes, CA	Mid-rise	255	290,200	1972	1997	97%
Cortesia	Rancho Santa Margarita, CA	Garden	308	277,580	1999	2014	97%
Pinnacle at Talega	San Clemente, CA	Mid-rise	362	355,764	2002	2014	96%
Allure at Scripps Ranch	San Diego, CA	Mid-rise	194	207,052	2002	2014	98%
Bernardo Crest	San Diego, CA	Garden	216	205,548	1988	2014	97%
Cambridge Park	San Diego, CA	Mid-rise	320	317,958	1998	2014	97%
Carmel Creek	San Diego, CA	Garden	348	384,216	2000	2014	97%
Carmel Landing	San Diego, CA	Garden	356	283,426	1989	2014	97%
Carmel Summit	San Diego, CA	Mid-rise	246	225,880	1989	2014	98%

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Communities ⁽¹⁾	Location	Type	Apartment Rentable		Year	Year	Occupancy ⁽²⁾
			Homes	Square Footage	Built	Acquired	
CentrePointe	San Diego, CA	Garden	224	126,700	1974	1997	97%
Esplanade ⁽⁶⁾	San Diego, CA	Garden	616	479,600	1986	2014	97%
Form 15	San Diego, CA	Mid-rise	242	184,190	2014	2016	96%
Montanosa	San Diego, CA	Garden	472	414,968	1990	2014	97%
Summit Park	San Diego, CA	Garden	300	229,400	1972	2002	97%
Essex Skyline ⁽¹²⁾	Santa Ana, CA	High-rise	349	512,791	2008	2010	95%
Fairhaven Apartments ⁽⁴⁾	Santa Ana, CA	Garden	164	135,700	1970	2001	95%
Parkside Court ⁽⁶⁾	Santa Ana, CA	Mid-rise	210	152,400	1986	2014	97%
Pinnacle at MacArthur Place	Santa Ana, CA	Mid-rise	253	262,867	2002	2014	97%
Hope Ranch	Santa Barbara, CA	Garden	108	126,700	1965	2007	98%
Bridgeport Coast ⁽¹³⁾	Santa Clarita, CA	Mid-rise	188	168,198	2006	2014	96%
Hidden Valley ⁽¹⁴⁾	Simi Valley, CA	Garden	324	310,900	2004	2004	97%
Meadowood ⁽⁸⁾	Simi Valley, CA	Garden	320	264,500	1986	1996	97%
Shadow Point	Spring Valley, CA	Garden	172	131,200	1983	2002	96%
The Fairways at Westridge ⁽¹³⁾	Valencia, CA	Mid-rise	234	223,330	2004	2014	97%
The Vistas of West Hills ⁽¹³⁾	Valencia, CA	Mid-rise	220	221,119	2009	2014	96%
Allegro	Valley Village, CA	Mid-rise	97	127,812	2010	2010	97%
Lofts at Pinehurst, The	Ventura, CA	Garden	118	71,100	1971	1997	98%
Pinehurst ⁽¹⁵⁾	Ventura, CA	Garden	28	21,200	1973	2004	98%
Woodside Village	Ventura, CA	Garden	145	136,500	1987	2004	98%
Walnut Heights	Walnut, CA	Garden	163	146,700	1964	2003	96%
The Dylan	West Hollywood, CA	Mid-rise	184	150,678	2014	2014	96%
The Huxley	West Hollywood, CA	Mid-rise	187	154,776	2014	2014	95%
Reveal	Woodland Hills, CA	Mid-rise	438	414,892	2010	2011	98%
Avondale at Warner Center	Woodland Hills, CA	Mid-rise	446	331,000	1970	1999	97%
			26,695	23,704,377			97%
Northern California							
Belmont Terrace	Belmont, CA	Mid-rise	71	72,951	1974	2006	98%
Fourth & U	Berkeley, CA	Mid-rise	171	146,255	2010	2010	97%
The Commons	Campbell, CA	Garden	264	153,168	1973	2010	96%
Pointe at Cupertino	Cupertino, CA	Garden	116	135,200	1963	1998	97%
Connolly Station ⁽¹⁶⁾	Dublin, CA	Mid-rise	309	286,348	2014	2014	97%
Avenue 64	Emeryville, CA	Mid-rise	224	196,896	2007	2014	97%
Emme ⁽¹⁶⁾	Emeryville, CA	Mid-rise	190	148,935	2015	2015	97%
Foster's Landing	Foster City, CA	Garden	490	415,130	1987	2014	97%
Stevenson Place	Fremont, CA	Garden	200	146,200	1975	2000	96%
Mission Peaks	Fremont, CA	Mid-rise	453	404,034	1995	2014	96%
Mission Peaks II	Fremont, CA	Garden	336	294,720	1989	2014	97%
Paragon Apartments	Fremont, CA	Mid-rise	301	267,047	2013	2014	97%
Boulevard	Fremont, CA	Garden	172	131,200	1978	1996	96%
Briarwood ⁽⁹⁾	Fremont, CA	Garden	160	111,160	1978	2011	97%
The Woods ⁽⁹⁾	Fremont, CA	Garden	160	105,280	1978	2011	97%
City Centre ⁽¹³⁾	Hayward, CA	Mid-rise	192	175,420	2000	2014	97%
City View	Hayward, CA	Garden	572	462,400	1975	1998	96%
Lafayette Highlands	Lafayette, CA	Garden	150	151,790	1973	2014	98%

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Communities ⁽¹⁾	Location	Type	Homes	Apartment Rentable Square Footage	Year Built	Year Acquired	Occupancy ⁽²⁾
Apex	Milpitas, CA	Mid-rise	366	350,961	2014	2014	97%
Regency at Mountain View ⁽⁷⁾	Mountain View, CA	Mid-rise	142	127,600	1970	2013	95%
Bridgeport ⁽⁸⁾	Newark, CA	Garden	184	139,000	1987	1987	96%
The Landing at Jack London Square	Oakland, CA	Mid-rise	282	257,796	2001	2014	97%
The Grand	Oakland, CA	High-rise	243	205,026	2009	2009	98%
The Galloway ⁽¹⁶⁾	Pleasanton, CA	Mid-rise	506	470,550	2016	2016	96%
Radius	Redwood City, CA	Mid-rise	264	245,862	2015	2015	97%
San Marcos	Richmond, CA	Mid-rise	432	407,600	2003	2003	97%
Bennett Lofts	San Francisco, CA	Mid-rise	165	184,713	2004	2012	96%
Fox Plaza	San Francisco, CA	High-rise	445	230,017	1968	2013	93%
MB 360	San Francisco, CA	Mid-rise	360	441,489	2014	2014	97%
Mosso ⁽¹⁶⁾	San Francisco, CA	High-rise	463	373,181	2014	2014	97%
Park West	San Francisco, CA	Mid-rise	126	90,060	1958	2012	95%
101 San Fernando	San Jose, CA	Mid-rise	323	296,078	2001	2010	95%
360 Residences ⁽¹⁷⁾	San Jose, CA	Mid-rise	213	281,108	2010	2017	95%
Bella Villagio	San Jose, CA	Mid-rise	231	227,511	2004	2010	97%
Century Towers ⁽¹⁸⁾	San Jose, CA	High-rise	376	330,178	2017	2017	97%
Enso	San Jose, CA	Mid-rise	183	179,562	2014	2015	98%
Epic ⁽¹⁶⁾	San Jose, CA	Mid-rise	769	660,030	2013	2013	97%
Esplanade	San Jose, CA	Mid-rise	278	279,000	2002	2004	96%
Fountains at River Oaks	San Jose, CA	Mid-rise	226	209,954	1990	2014	97%
Marquis ⁽¹⁹⁾	San Jose, CA	Mid-rise	166	136,467	2015	2016	94%
Meridian at Midtown ⁽¹⁷⁾	San Jose, CA	Mid-rise	218	184,148	2015	2018	88%
Mio	San Jose, CA	Mid-rise	103	92,405	2015	2016	98%
Museum Park	San Jose, CA	Mid-rise	117	121,329	2002	2014	96%
One South Market ⁽²⁰⁾	San Jose, CA	High-rise	312	283,268	2015	2015	96%
Palm Valley	San Jose, CA	Mid-rise	1,098	1,132,284	2008	2014	97%
Sage at Cupertino	San Jose, CA	Garden	230	178,961	1971	2017	96%
The Carlyle ⁽⁸⁾	San Jose, CA	Garden	132	129,200	2000	2000	96%
The Waterford	San Jose, CA	Mid-rise	238	219,600	2000	2000	96%
Willow Lake	San Jose, CA	Mid-rise	508	471,744	1989	2012	97%
Lakeshore Landing	San Mateo, CA	Mid-rise	308	223,972	1988	2014	97%
Hillsdale Garden	San Mateo, CA	Garden	697	611,505	1948	2006	97%
Park 20 ⁽¹⁶⁾	San Mateo, CA	Mid-rise	197	140,547	2015	2015	98%
Station Park Green - Phase I	San Mateo, CA	Mid-rise	121	111,636	2018	2018	68%
Deer Valley	San Rafael, CA	Garden	171	167,238	1996	2014	97%
Bel Air	San Ramon, CA	Garden	462	391,000	1988	1995	97%
Canyon Oaks	San Ramon, CA	Mid-rise	250	237,894	2005	2007	97%
Crow Canyon	San Ramon, CA	Mid-rise	400	337,064	1992	2014	97%
Foothill Gardens	San Ramon, CA	Garden	132	155,100	1985	1997	97%
Mill Creek at Windermere	San Ramon, CA	Mid-rise	400	381,060	2005	2007	97%
Twin Creeks	San Ramon, CA	Garden	44	51,700	1985	1997	97%
1000 Kiely	Santa Clara, CA	Garden	121	128,486	1971	2011	98%
Le Parc	Santa Clara, CA	Garden	140	113,200	1975	1994	97%

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Marina Cove ⁽²¹⁾	Santa Clara, CA	Garden	292	250,200	1974	1994	97%
Riley Square ⁽⁹⁾	Santa Clara, CA	Garden	156	126,900	1972	2012	97%

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Communities ⁽¹⁾	Location	Type	Apartment Homes	Rentable Square Footage	Year Built	Year Acquired	Occupancy ⁽²⁾
Villa Granada	Santa Clara, CA	Mid-rise	270	238,841	2010	2014	97%
Chestnut Street Apartments	Santa Cruz, CA	Garden	96	87,640	2002	2008	97%
Bristol Commons	Sunnyvale, CA	Garden	188	142,600	1989	1995	98%
Brookside Oaks ⁽⁴⁾	Sunnyvale, CA	Garden	170	119,900	1973	2000	98%
Lawrence Station	Sunnyvale, CA	Mid-rise	336	297,188	2012	2014	97%
Magnolia Lane ⁽²²⁾	Sunnyvale, CA	Garden	32	31,541	2001	2007	97%
Magnolia Square ⁽⁴⁾	Sunnyvale, CA	Garden	156	110,824	1963	2007	97%
Montclair	Sunnyvale, CA	Mid-rise	390	294,100	1973	1988	97%
Reed Square	Sunnyvale, CA	Garden	100	95,440	1970	2011	98%
Solstice	Sunnyvale, CA	Mid-rise	280	257,659	2014	2014	97%
Summerhill Park	Sunnyvale, CA	Garden	100	78,500	1988	1988	97%
Via	Sunnyvale, CA	Mid-rise	284	309,421	2011	2011	98%
Windsor Ridge	Sunnyvale, CA	Mid-rise	216	161,800	1989	1989	98%
Vista Belvedere	Tiburon, CA	Mid-rise	76	78,300	1963	2004	97%
Verandas ⁽¹³⁾	Union City, CA	Mid-rise	282	199,092	1989	2014	97%
Agora ⁽²³⁾	Walnut Creek, CA	Mid-rise	49	106,228	2016	2016	98%
			21,146	18,777,392			96%
Seattle, Washington Metropolitan Area							
Belcarra	Bellevue, WA	Mid-rise	296	241,567	2009	2014	96%
BellCentre	Bellevue, WA	Mid-rise	248	181,288	2001	2014	96%
Cedar Terrace	Bellevue, WA	Garden	180	174,200	1984	2005	96%
Courtyard off Main	Bellevue, WA	Mid-rise	110	108,388	2000	2010	96%
Ellington	Bellevue, WA	Mid-rise	220	165,794	1994	2014	97%
Emerald Ridge	Bellevue, WA	Garden	180	144,000	1987	1994	97%
Foothill Commons	Bellevue, WA	Mid-rise	394	288,300	1978	1990	96%
Palisades, The	Bellevue, WA	Garden	192	159,700	1977	1990	97%
Park Highland	Bellevue, WA	Mid-rise	250	224,750	1993	2014	96%
Piedmont	Bellevue, WA	Garden	396	348,969	1969	2014	96%
Sammamish View	Bellevue, WA	Garden	153	133,500	1986	1994	97%
Woodland Commons	Bellevue, WA	Garden	302	217,878	1978	1990	97%
Bothell Ridge ⁽⁶⁾	Bothell, WA	Garden	214	167,370	1988	2014	96%
Canyon Pointe	Bothell, WA	Garden	250	210,400	1990	2003	96%
Inglenook Court	Bothell, WA	Garden	224	183,600	1985	1994	96%
Pinnacle Sonata	Bothell, WA	Mid-rise	268	343,095	2000	2014	96%
Salmon Run at Perry Creek	Bothell, WA	Garden	132	117,100	2000	2000	97%
Stonehedge Village	Bothell, WA	Garden	196	214,800	1986	1997	97%
Highlands at Wynhaven	Issaquah, WA	Mid-rise	333	424,674	2000	2008	97%
Park Hill at Issaquah	Issaquah, WA	Garden	245	277,700	1999	1999	96%
Wandering Creek	Kent, WA	Garden	156	124,300	1986	1995	97%
Ascent	Kirkland, WA	Garden	90	75,840	1988	2012	97%
Bridle Trails	Kirkland, WA	Garden	108	99,700	1986	1997	96%
Corbella at Juanita Bay	Kirkland, WA	Garden	169	103,339	1978	2010	97%
Evergreen Heights	Kirkland, WA	Garden	200	188,300	1990	1997	97%
Slater 116	Kirkland, WA	Mid-rise	108	81,415	2013	2013	97%
Montebello	Kirkland, WA	Garden	248	272,734	1996	2012	96%
Aviara ⁽²⁴⁾	Mercer Island, WA	Mid-rise	166	147,033	2013	2014	96%

Laurels at Mill Creek	Mill Creek, WA	Garden	164	134,300	1981	1996	96%
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Communities ⁽¹⁾	Location	Type	Apartment Homes	Rentable Square Footage	Year Built	Year Acquired	Occupancy ⁽²⁾
Parkwood at Mill Creek	Mill Creek, WA	Garden	240	257,160	1989	2014	96%
The Elliot at Mukilteo ⁽⁴⁾	Mukilteo, WA	Garden	301	245,900	1981	1997	97%
Castle Creek	Newcastle, WA	Garden	216	191,900	1998	1998	97%
Delano	Redmond, WA	Mid-rise	126	116,340	2005	2011	98%
Elevation	Redmond, WA	Garden	158	138,916	1986	2010	97%
Redmond Hill ⁽⁹⁾	Redmond, WA	Garden	442	350,275	1985	2011	96%
Shadowbrook	Redmond, WA	Garden	418	338,880	1986	2014	96%
The Trails of Redmond	Redmond, WA	Garden	423	376,000	1985	2014	97%
Vesta ⁽⁹⁾	Redmond, WA	Garden	440	381,675	1998	2011	97%
Brighton Ridge	Renton, WA	Garden	264	201,300	1986	1996	96%
Fairwood Pond	Renton, WA	Garden	194	189,200	1997	2004	98%
Forest View	Renton, WA	Garden	192	182,500	1998	2003	97%
Pinnacle on Lake Washington	Renton, WA	Mid-rise	180	190,908	2001	2014	96%
8th & Republican ⁽¹⁷⁾	Seattle, WA	High-rise	211	161,371	2016	2017	97%
Annaliese	Seattle, WA	High-rise	56	48,216	2009	2013	98%
The Audrey at Belltown	Seattle, WA	Mid-rise	137	94,119	1992	2014	97%
The Bernard	Seattle, WA	Mid-rise	63	43,151	2008	2011	97%
Cairns, The	Seattle, WA	Mid-rise	99	70,806	2006	2007	96%
Collins on Pine	Seattle, WA	Mid-rise	76	48,733	2013	2014	98%
Domaine	Seattle, WA	Mid-rise	92	79,421	2009	2012	97%
Expo ⁽¹⁸⁾	Seattle, WA	Mid-rise	275	190,176	2012	2012	96%
Fountain Court	Seattle, WA	Mid-rise	320	207,000	2000	2000	96%
Patent 523 ⁽²⁵⁾	Seattle, WA	Mid-rise	295	191,109	2010	2010	97%
Taylor 28	Seattle, WA	Mid-rise	197	155,630	2008	2014	97%
Vox Apartments	Seattle, WA	Mid-rise	58	42,173	2013	2013	96%
Wharveside Pointe	Seattle, WA	Mid-rise	155	119,200	1990	1994	96%
			11,820	10,166,093			97%
Total/Weighted Average			59,661	52,647,862			97%

Other real estate assets ⁽¹⁾	Location	Tenants	Square Footage	Year Built	Year Acquired	Occupancy ⁽²⁾
Derian Office Building ⁽²⁶⁾	Irvine, CA	6	106,716	1983	2000	83%
		6	106,716			83%

Footnotes to the Company's Portfolio Listing as of December 31, 2018

(1) Unless otherwise specified, the Company has a 100% ownership interest in each community.

For communities, occupancy rates are based on financial occupancy for the year ended December 31, 2018; for the

(2) commercial buildings occupancy rates are based on physical occupancy as of December 31, 2018. For an explanation of how financial occupancy is calculated, see "Occupancy Rates" in this Item 2.

(3) The community is subject to a ground lease, which, unless extended, will expire in 2082.

(4) The Company holds a 1% special limited partner interest in the partnerships which own these apartment communities. These investments were made under arrangements whereby Essex Management Company, a wholly-owned subsidiary of Essex, became the 1% sole general partner and the other limited partners were granted the right to require the applicable partnership to redeem their interest for cash. Subject to certain conditions, the

Company may, however, elect to deliver an equivalent number of shares of the Company's common stock in satisfaction of the applicable partnership's cash redemption obligation.

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- (5) This community is owned by BEX III, LLC ("BEX III"). The Company has a 50% interest in BEX III, which is accounted for using the equity method of accounting.
- (6) This community is owned by BEXAEW. The Company has a 50% interest in BEXAEW, which is accounted for using the equity method of accounting.
- (7) This community is owned by Wesco III. The Company has a 50% interest in Wesco III, which is accounted for using the equity method of accounting.
- (8) This community is owned by BEX II, LLC ("BEX II"). The Company has a 50% interest in BEX II, which is accounted for using the equity method of accounting.
- (9) This community is owned by Wesco I, LLC ("Wesco I"). The Company has a 58% interest in Wesco I, which is accounted for using the equity method of accounting.
- (10) This community is subject to a ground lease, which, unless extended, will expire in 2067.
- (11) This community is subject to a ground lease, which, unless extended, will expire in 2027.
- (12) The Company has a 97% interest and an Executive Vice President of the Company has a 3% interest in this community.
- (13) This community is owned by Wesco IV, LLC ("Wesco IV") The Company has a 50% interest in Wesco IV, which is accounted for using the equity method of accounting.
- (14) The Company has a 75% member interest in this community.
- (15) This community is subject to a ground lease, which, unless extended, will expire in 2028.
This community is owned by an entity that is co-owned by the Company and the Canadian Pension Plan Investment Board ("CPPIB" or "CPP").
- (16) The Company has a 55% ownership in this community, which is accounted for using the equity method of accounting.
- (17) This community is owned by Wesco V, LLC ("Wesco V"). The Company has a 50% interest in Wesco V, which is accounted for using the equity method of accounting.
- (18) The Company has 50% ownership in this community, which is accounted for using the equity method of accounting.
- (19) In December 2018, the Company purchased its joint venture partner's 49.9% membership interest in the Marquis co-investment. As a result of this purchase, the Company consolidates Marquis.
- (20) The Company has a 55% membership interest in this community, which is accounted for using the equity method of accounting.
- (21) A portion of this community on which 84 apartment homes are presently located is subject to a ground lease, which, unless extended, will expire in 2028.
- (22) The community is subject to a ground lease, which, unless extended, will expire in 2070.
- (23) This community is owned by an entity that is co-owned by the Company and CPP. The Company has a 51% membership interest in this community, which is accounted for using the equity method of accounting.
- (24) This community is subject to a ground lease, which, unless extended, will expire in 2070.
- (25) The Company has 99% ownership in this community.
- (26) The Company occupies 13% of space in this property.

Item 3. Legal Proceedings

The information regarding lawsuits, other proceedings and claims, set forth in Note 16, "Commitments and Contingencies", to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K is incorporated by reference into this Item 3. In addition to such matters referred to in Note 16, the Company is subject to various other legal and/or regulatory proceedings arising in the course of its business operations. We believe that, with respect to such matters that we are currently a party to, the ultimate disposition of any such matter will not result in a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not Applicable.

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Part II

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

Market Information

The shares of the Company's common stock are traded on the New York Stock Exchange ("NYSE") under the symbol ESS. Essex's common stock has been traded on the NYSE since June 13, 1994. The closing price of Essex's common stock as reported by the NYSE on February 15, 2019 was \$278.82.

There is no established public trading market for the Operating Partnership's limited partnership units ("OP Units").

Holders

The approximate number of holders of record of the shares of Essex's common stock was 1,313 as of February 15, 2019. This number does not include stockholders whose shares are held in investment accounts by other entities. Essex believes the actual number of stockholders is greater than the number of holders of record.

As of February 15, 2019, there were 184 holders of record of OP Units, including Essex.

Return of Capital

Under provisions of the Code, the portion of the cash dividend, if any, that exceeds earnings and profits is considered a return of capital. The return of capital is generated due to a variety of factors, including the deduction of non-cash expenses, primarily depreciation, in the determination of earnings and profits.

The status of the cash dividends distributed for the years ended December 31, 2018, 2017, and 2016 related to common stock, and Series H preferred stock for tax purposes are as follows:

	2018		2017		2016
Common Stock					
Ordinary income	79.72	%	84.04	%	86.68
Capital gain	15.35	%	13.20	%	7.11
Unrecaptured section 1250 capital gain	4.93	%	2.76	%	6.21
	100.00	%	100.00	%	100.00
	2018		2017		2016
Series H Preferred stock					
Ordinary income	—	%	—	%	86.68
Capital gains	—	%	—	%	7.11
Unrecaptured section 1250 capital gain	—	%	—	%	6.21
	—	%	—	%	100.00

Dividends and Distributions

Future dividends/distributions by Essex and the Operating Partnership will be at the discretion of the Board of Directors of Essex and will depend on the actual cash flows from operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code, applicable legal restrictions and such other factors as the Board of Directors deems relevant. There are currently no contractual

restrictions on Essex's and the Operating Partnership's present or future ability to pay dividends and distributions, and we do not anticipate that our ability to pay dividends/distributions will be impaired; however, there can be no assurances in that regard.

The Board of Directors declared a dividend/distribution for the fourth quarter of 2018 of \$1.86 per share. The dividend/distribution was paid on January 15, 2019 to stockholders/unitholders of record as of January 2, 2019.

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Dividend Reinvestment and Share Purchase Plan

Essex has adopted a dividend reinvestment and share purchase plan designed to provide holders of common stock with a convenient and economical means to reinvest all or a portion of their cash dividends in shares of common stock and to acquire additional shares of common stock through voluntary purchases. Computershare, LLC, which serves as Essex's transfer agent, administers the dividend reinvestment and share purchase plan. For a copy of the plan, contact Computershare, LLC at (312) 360-5354.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this section is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Shareholders, under the headings "Equity Compensation Plan Information," to be filed with the SEC within 120 days of December 31, 2018.

Issuance of Registered Equity Securities

In September 2018, the Company entered into a new equity distribution agreement in connection with the 2018 ATM Program pursuant to which the Company may offer and sell shares of its common stock having an aggregate gross sales price of up to \$900.0 million. In connection with the 2018 ATM Program, the Company may also enter into related forward sale agreements whereby, at the Company's discretion, it may sell shares of its common stock under the 2018 ATM Program under forward sales agreements. The use of a forward sale agreement would allow the Company to lock in a share price on the sale of shares of its common stock at the time the agreement is executed, but defer receiving the proceeds from the sale of shares until a later date. On February 19, 2019, Essex's Board of Directors approved the replenishment of the stock repurchase plan such that, as of such date, the Company had \$250.0 million of purchase authority remaining under the replenished plan.

During 2018, the Company issued no shares of common stock under the 2018 ATM Program or the prior 2016 ATM Program. As of December 31, 2018, the Company had no outstanding forward sale agreements to sell any shares of common stock.

Issuer Purchases of Equity Securities

In December 2015, Essex's Board of Directors authorized a stock repurchase plan to allow Essex to acquire shares in an aggregate of up to \$250.0 million. Under this program, through December 31, 2018, the Company had repurchased and retired 215,583 shares of common stock totaling \$52.3 million, including commissions, at an average stock price of \$242.49 per share. As of December 31, 2018, the Company had \$197.7 million of purchase authority remaining under the plan.

Performance Graph

The line graph below compares the cumulative total stockholder return on Essex's common stock for the last five years with the cumulative total return on the S&P 500 and the NAREIT All Equity REIT index over the same period. This comparison assumes that the value of the investment in the common stock and each index was \$100 on December 31, 2013 and that all dividends were reinvested.

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Index	Period Ending					
	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Essex Property Trust, Inc.	100.00	148.00	175.93	175.70	187.65	196.60
NAREIT All Equity REIT Index	100.00	128.03	131.64	143.00	155.41	149.12
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33

⁽¹⁾ Common stock performance data is provided by S&P Global Market Intelligence (formerly SNL Financial).

The graph and other information furnished under the above caption "Performance Graph" in this Part II Item 5 of this Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of the Exchange Act.

Unregistered Sales of Equity Securities

During the years ended December 31, 2018 and 2017, the Operating Partnership issued OP Units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the years ended December 31, 2018 and 2017, Essex issued an aggregate of 39,175 and 176,489 shares of its common stock upon the exercise of stock options, respectively. Essex contributed the proceeds from the option exercises of \$6.2 million and \$26.6 million to the Operating Partnership in exchange for an aggregate of 39,175 and 176,489 OP Units, as required by the Operating Partnership's partnership agreement, during the years ended December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017, Essex issued an aggregate of 1,981 and 2,973 shares of its common stock in connection with restricted stock awards for no cash consideration, respectively. For each share of common stock issued by Essex in connection with such awards, the Operating Partnership issued OP Units to Essex as required by the Operating

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Partnership's partnership agreement, for an aggregate of 1,981 and 2,973 OP Units during the years ended December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017, Essex issued an aggregate of 5,250 and 1,500 shares of its common stock in connection with the exchange of OP Units and DownREIT limited partnership units by limited partners into shares of common stock. For each share of common stock issued by Essex in connection with such exchange, the Operating Partnership issued OP Units to Essex as required by the Operating Partnership's partnership agreement, for an aggregate of 5,250 and 1,500 OP Units during the year ended December 31, 2018 and 2017, respectively.

No shares of the Company's common stock were issued or sold by Essex pursuant to the 2018 ATM Program or the prior 2016 ATM Program during the year ended December 31, 2018. For the year ended December 31, 2017, the Company issued 345,444 shares of Essex's common stock through the 2016 ATM Program. Essex contributed the net proceeds from these share issuances of \$89.1 million to the Operating Partnership in exchange for an aggregate of 345,444 OP units, as required by the Operating Partnership's partnership agreement. As of December 31, 2018, the Company had no outstanding forward purchase agreements to sell any shares of common stock.

Stock Repurchases

The following table summarizes the Company's purchases of its common stock during the three months ended December 31, 2018:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program ⁽¹⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (in Millions)
October 1, 2018 - October 31, 2018	—	—	—	—
November 1, 2018 - November 30, 2018	74,811	249.20	74,811	226.5
December 1, 2018 - December 31, 2018	118,838	242.48	118,838	197.7
Total	193,649	\$ 245.08	193,649	\$ 197.7

(1) In December 2015, Essex's Board of Directors authorized a stock repurchase plan to allow Essex to acquire shares in an aggregate of up to \$250.0 million. Under this program, as of December 31, 2018, the Company had \$197.7 million of purchase authority remaining. On February 19, 2019, Essex's Board of Directors approved the replenishment of the stock repurchase plan such that, as of such date, the Company had \$250.0 million of purchase authority remaining under the replenished plan.

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Item 6. Selected Financial Data

The following tables set forth summary financial and operating information for Essex and the Operating Partnership from January 1, 2014 through December 31, 2018.

Essex Property Trust, Inc. and Subsidiaries

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(\$ in thousands, except per share amounts)				
OPERATING DATA:					
Rental and other property	\$1,390,870	\$1,354,325	\$1,285,723	\$1,185,498	\$961,591
Management and other fees from affiliates	9,183	9,574	8,278	8,909	9,347
Net income	413,599	458,043	438,410	248,239	134,438
Net income available to common stockholders	\$390,153	\$433,059	\$411,124	\$226,865	\$116,859
Per share data:					
Basic:					
Net income available to common stockholders	\$5.91	\$6.58	\$6.28	\$3.50	\$2.07
Weighted average common stock outstanding	66,041	65,829	65,472	64,872	56,547
Diluted:					
Net income available to common stockholders	\$5.90	\$6.57	\$6.27	\$3.49	\$2.06
Weighted average common stock outstanding	66,085	65,898	65,588	65,062	56,697
Cash dividend per common share	\$7.44	\$7.00	\$6.40	\$5.76	\$5.11
	As of December 31,				
	2018	2017	2016	2015	2014
	(\$ in thousands)				
BALANCE SHEET DATA:					
Investment in rental properties (before accumulated depreciation)	\$13,366,101	\$13,362,073	\$12,687,722	\$12,338,129	\$11,249,071
Net investment in rental properties	10,156,553	10,592,776	10,376,176	10,388,237	9,684,265
Real estate under development	454,629	355,735	190,505	242,326	429,096
Co-investments	1,300,140	1,155,984	1,161,275	1,036,047	1,042,423
Total assets	12,383,596	12,495,706	12,217,408	12,008,384	11,530,299
Total indebtedness, net	5,605,942	5,689,126	5,563,260	5,318,757	5,084,256
Redeemable noncontrolling interest	35,475	39,206	44,684	45,452	23,256
Cumulative redeemable preferred stock	—	—	—	73,750	73,750
Stockholders' equity	6,267,073	6,277,406	6,192,178	6,237,733	6,022,672

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	As of and for the years ended December 31,				
	2018	2017	2016	2015	2014
	(\$ in thousands, except per share amounts)				
OTHER DATA:					
Funds from operations ("FFO") ⁽¹⁾ attributable to common stockholders and unitholders:					
Net income available to common stockholders	\$390,153	\$433,059	\$411,124	\$226,865	\$116,859
Adjustments:					
Depreciation and amortization	479,884	468,881	441,682	453,423	360,592
Gains not included in FFO attributable to common stockholders and unitholders	(73,683)	(159,901)	(167,607)	(81,347)	(50,064)
Deferred tax expense on sale of real estate and land - taxable REIT subsidiary activity	—	—	4,410	—	—
Depreciation and amortization add back from unconsolidated co-investments	62,954	55,531	50,956	49,826	33,975
Noncontrolling interest related to Operating Partnership units	13,452	14,825	14,089	7,824	4,911
Insurance reimbursements	—	—	—	(1,751)	—
Depreciation attributable to third party ownership and other	(940)	(286)	(9)	(781)	(1,331)
Funds from operations attributable to common stockholders and unitholders	\$871,820	\$812,109	\$754,645	\$654,059	\$464,942
Non-core items:					
Merger and integration expenses	—	—	—	3,798	53,530
Expensed acquisition and investment related costs	194	1,569	1,841	2,414	1,878
Gain on sale of marketable securities, note prepayment, and other investments	(737)	(1,909)	(5,719)	(598)	(886)
Unrealized losses on marketable securities	5,159	—	—	—	—
Gain on sale of land	—	—	—	—	(2,533)
Interest rate hedge ineffectiveness ⁽²⁾	148	(78)	(250)	—	—
Loss on early retirement of debt	—	1,796	606	6,114	268
Gain on early retirement of debt from unconsolidated co-investment	(3,662)	—	—	—	—
Co-investment promote income	(20,541)	—	—	(192)	(10,640)
Income from early redemption of preferred equity investments	(1,652)	(356)	—	(1,954)	(5,250)
Excess of redemption value of preferred stock over carrying value	—	—	2,541	—	—
General and administrative and other, net	8,745	(1,083)	—	(651)	1,758
Insurance reimbursements and legal settlements, net	(561)	(25)	(4,470)	(2,319)	94
Core funds from operations ("Core FFO") ⁽¹⁾ attributable to common stockholders and unitholders	\$858,913	\$812,023	\$749,194	\$660,671	\$503,161
Weighted average number of shares outstanding, diluted (FFO) ⁽³⁾	68,322	68,194	67,890	67,310	58,921
Funds from operations attributable to common stockholders and unitholders per share - diluted	\$12.76	\$11.91	\$11.12	\$9.72	\$7.89
Core funds from operations attributable to common stockholders and unitholders	\$12.57	\$11.91	\$11.04	\$9.82	\$8.54

per share - diluted

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FFO is a financial measure that is commonly used in the REIT industry. The Company presents FFO and FFO excluding non-core items ("referred to as "Core FFO") as supplemental operating performance measures. FFO and (1) Core FFO are not used by the Company as, nor should they be considered to be, alternatives to net income computed under U.S. GAAP as an indicator of the Company's operating performance or as alternatives to cash from operating activities computed under U.S. GAAP as an indicator of the Company's ability to fund its cash needs.

FFO and Core FFO are not meant to represent a comprehensive system of financial reporting and do not present, nor do they intend to present, a complete picture of the Company's financial condition and operating performance. The Company believes that net income computed under U.S. GAAP is the primary measure of performance and that FFO and Core FFO are only meaningful when they are used in conjunction with net income. The Company considers FFO and Core FFO to be useful financial performance measurements of an equity REIT because, together with net income and cash flows, FFO and Core FFO provide investors with additional bases to evaluate operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and to pay dividends. By excluding gains or losses related to sales of depreciated operating properties 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 can help investors compare the operating performance of a real estate company between periods or as compared to different companies. By further adjusting for items that are not considered part of the Company's core business operations, Core FFO allows investors to compare the core operating performance of the Company to its performance in prior reporting periods and to the operating performance of other real estate companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company's actual operating results. The Company believes that its consolidated financial statements, prepared in accordance with U.S. GAAP, provide the most meaningful picture of its financial condition and its operating performance.

In calculating FFO, the Company follows the definition for this measure published by the National Association of Real Estate Investment Trusts ("NAREIT"), which is the leading REIT industry association. The Company believes that, under the NAREIT FFO definition, the two most significant adjustments made to net income are (i) the exclusion of historical cost depreciation and (ii) the exclusion of gains and losses from the sale of previously depreciated properties. The Company agrees that these two NAREIT adjustments are useful to investors for the following reasons:

historical cost accounting for real estate assets in accordance with U.S. GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on Funds from Operations "since real estate asset values have historically risen or fallen with market conditions, many (a) industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by U.S. GAAP do not reflect the underlying economic realities.

REITs were created as a legal form of organization in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate. (b) The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods.

Management believes that it has consistently applied the NAREIT definition of FFO to all periods presented. However, there is judgment involved and other REITs' calculation of FFO may vary from the NAREIT definition for this measure, and thus their disclosure of FFO may not be comparable to the Company's calculation.

The table to which this footnote relates is a reconciliation of net income available to common stockholders to FFO and Core FFO for the years ended December 31, 2018, 2017, 2016, 2015, and 2014.

Interest rate swaps generally are adjusted to fair value through other comprehensive income (loss). However, because certain of the Company's interest rate swaps do not have a 0% LIBOR floor, while related hedged debt in (2) these cases is subject to a 0% LIBOR floor, the portion of the change in fair value of these interest rate swaps attributable to this mismatch, if any, is recorded as a non-cash interest rate hedge ineffectiveness through interest expense.

Assumes conversion of all dilutive outstanding operating partnership interests in the Operating Partnership into shares of the Company's common stock and excludes all DownREIT limited partnership units for which the (3) Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

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Essex Portfolio, L.P. and Subsidiaries

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(\$ in thousands, except per unit amounts)				
OPERATING DATA:					
Rental and other property	\$1,390,870	\$1,354,325	\$1,285,723	\$1,185,498	\$961,591
Management and other fees from affiliates	9,183	9,574	8,278	8,909	9,347
Net income	413,599	458,043	438,410	248,239	134,438
Net income available to common unitholders	\$403,605	\$447,884	\$425,213	\$234,689	\$121,726
Per unit data:					
Basic:					
Net income available to common unitholders	\$5.91	\$6.58	\$6.28	\$3.50	\$2.07
Weighted average common units outstanding	68,316	68,082	67,696	67,054	58,772
Diluted:					
Net income available to common unitholders	\$5.90	\$6.57	\$6.27	\$3.49	\$2.07
Weighted average common units outstanding	68,360	68,151	67,812	67,244	58,921
Cash distributions per common unit	\$7.44	\$7.00	\$6.40	\$5.76	\$5.11

	As of December 31,				
	2018	2017	2016	2015	2014
	(\$ in thousands)				
BALANCE SHEET DATA:					
Investment in rental properties (before accumulated depreciation)	\$13,366,101	\$13,362,073	\$12,687,722	\$12,338,129	\$11,249,071
Net investment in rental properties	10,156,553	10,592,776	10,376,176	10,388,237	9,684,265
Real estate under development	454,629	355,735	190,505	242,326	429,096
Co-investments	1,300,140	1,155,984	1,161,275	1,036,047	1,042,423
Total assets	12,383,596	12,495,706	12,217,408	12,008,384	11,530,299
Total indebtedness, net	5,605,942	5,689,126	5,563,260	5,318,757	5,084,256
Redeemable noncontrolling interest	35,475	39,206	44,684	45,452	23,256
Cumulative redeemable preferred interest	—	—	—	71,209	71,209
Partners' capital	6,329,613	6,330,415	6,244,364	6,287,381	6,073,433

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto. These consolidated financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results and all such adjustments are of a normal recurring nature.

OVERVIEW

Essex is a self-administered and self-managed REIT that acquires, develops, redevelops, and manages apartment communities in selected residential areas located on the West Coast of the United States. Essex owns all of its interests in its real estate investments, directly or indirectly, through the Operating Partnership. Essex is the sole general partner of the Operating Partnership and, as of December 31, 2018, had an approximately 96.6% general partner interest in the Operating Partnership.

The Company's investment strategy has two components: constant monitoring of existing markets, and evaluation of new markets to identify areas with the characteristics that underlie rental growth. The Company's strong financial condition supports its investment strategy by enhancing its ability to quickly shift acquisition, development, redevelopment, and disposition activities to markets that will optimize the performance of the Company's portfolio.

As of December 31, 2018, the Company owned or had ownership interests in 245 operating apartment communities, comprising 59,661 apartment homes, excluding the Company's ownership in preferred equity co-investments, loan investments, one operating commercial building with approximately 106,716 square feet and six active developments.

The Company's apartment communities are predominately located in the following major regions:

Southern California (Los Angeles, Orange, San Diego, and Ventura counties)

Northern California (the San Francisco Bay Area)

Seattle Metro (Seattle metropolitan area)

As of December 31, 2018, the Company's development and predevelopment pipeline was comprised of four consolidated projects under development, two unconsolidated joint venture projects under development, and various predevelopment projects aggregating 1,861 apartment homes, with total incurred costs of \$812.0 million, and estimated remaining project costs of approximately \$417.0 million, \$310.0 million of which represents the Company's estimated remaining costs, for total estimated project costs of \$1.2 billion.

As of December 31, 2018, the Company also had an ownership interest in one operating commercial building (totaling approximately 106,716 square feet).

By region, the Company's operating results for 2018 and 2017 and projection for 2019 new housing supply (defined as new multifamily apartment homes and single family homes, excluding developments with fewer than 50 apartment homes as well as student, senior and 100% affordable housing), projection for 2019 job growth, and 2019 estimated Same-Property revenue growth are as follows:

Southern California Region: As of December 31, 2018, this region represented 46% of the Company's consolidated operating apartment homes. Revenues for "2018 Same-Properties" (as defined below), or "Same-Property revenues," increased 3.1% in 2018 as compared to 2017. In 2019, the Company projects new residential supply of 33,500 apartment homes and single family homes, which represents 0.6% of the total housing stock. The Company projects an increase of 104,750 jobs or 1.3%, and an increase in 2019 Same-Property revenues of between 2.5% to 3.5% in

2019.

Northern California Region: As of December 31, 2018, this region represented 33% of the Company's consolidated operating apartment homes. Same-Property revenues increased 2.4% in 2018 as compared to 2017. In 2019, the Company projects new residential supply of 15,750 apartment homes and single family homes, which represents 0.7% of the total housing stock. The Company projects an increase of 65,500 jobs or 2.0%, and an increase in 2019 Same-Property revenues of between 2.6% to 3.6% in 2019.

Seattle Metro Region: As of December 31, 2018, this region represented 21% of the Company's consolidated operating apartment homes. Same-Property revenues increased 2.9% in 2018 as compared to 2017. In 2019, the Company projects new residential supply of 17,000 apartment homes and single family homes, which represents 1.3% of the total housing stock. The Company projects an increase of 45,900 jobs or 2.6%, and an increase in 2019 Same-Property revenues of between 2.3% to 3.3% in 2019.

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In total, the Company projects an increase in 2019 Same-Property revenues of between 2.5% to 3.5%, as renewal and new leases are signed at higher rents in 2019 than 2018. Same-Property operating expenses are projected to increase in 2019 by 2.5% to 3.5%.

The Company's consolidated operating communities are as follows:

	As of December 31, 2018	Apartment Homes %	As of December 31, 2017	Apartment Homes %
Southern California	22,674	46 %	23,343	47 %
Northern California	16,136	33 %	15,848	32 %
Seattle Metro	10,238	21 %	10,238	21 %
Total	49,048	100%	49,429	100%

Co-investments, including Wesco I, Wesco III, Wesco IV, Wesco V, LLC, CPPIB, BEXAEW, BEX II, and BEX III communities, developments under construction, and preferred equity interest co-investment communities are not included in the table presented above for both periods.

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2018 to the Year Ended December 31, 2017

The Company's average financial occupancies for the Company's stabilized apartment communities or "2018 Same-Property" (stabilized properties consolidated by the Company for the years ended December 31, 2018 and 2017) increased 10 basis points to 96.7% in 2018 from 96.6% in 2017. Financial occupancy is defined as the percentage resulting from dividing actual rental revenue by total potential rental revenue. Actual rental revenue represents contractual rental revenue pursuant to leases without considering delinquency and concessions. Total potential rental revenue represents the value of all apartment homes, with occupied apartment homes valued at contractual rental rates pursuant to leases and vacant apartment homes valued at estimated market rents. The Company believes that financial occupancy is a meaningful measure of occupancy because it considers the value of each vacant apartment home at its estimated market rate.

Market rates are determined using the recently signed effective rates on new leases at the property and are used as the starting point in the determination of the market rates of vacant apartment homes. The Company may increase or decrease these rates based on a variety of factors, including overall supply and demand for housing, concentration of new apartment deliveries within the same submarket which can cause periodic disruption due to greater rental concessions to increase leasing velocity, and rental affordability. Financial occupancy may not completely reflect short-term trends in physical occupancy and financial occupancy rates, and the Company's calculation of financial occupancy may not be comparable to financial occupancy disclosed by other REITs.

The Company does not take into account delinquency and concessions to calculate actual rent for occupied apartment homes and market rents for vacant apartment homes. The calculation of financial occupancy compares contractual rates for occupied apartment homes to estimated market rents for unoccupied apartment homes, and thus the calculation compares the gross value of all apartment homes excluding delinquency and concessions. For apartment communities that are development properties in lease-up without stabilized occupancy figures, the Company believes the physical occupancy rate is the appropriate performance metric. While an apartment community is in the lease-up phase, the Company's primary motivation is to stabilize the property, which may entail the use of rent concessions and

other incentives, and thus financial occupancy, which is based on contractual revenue is not considered the best metric to quantify occupancy.

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The regional breakdown of the Company's 2018 Same-Property portfolio for financial occupancy for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,	
	2018	2017
Southern California	96.7%	96.6%
Northern California	96.8%	96.8%
Seattle Metro	96.5%	96.4%

The following table provides a breakdown of revenue amounts, including the revenues attributable to 2018 Same-Properties.

Property Revenues (\$ in thousands)	Number of Apartment Homes	Years Ended December 31,		Dollar Change	Percentage Change	
		2018	2017			
2018 Same-Properties: ⁽¹⁾						
Southern California	21,979	\$573,658	\$556,630	\$17,028	3.1	%
Northern California	14,356	469,457	458,241	11,216	2.4	%
Seattle Metro	10,238	236,525	229,872	6,653	2.9	%
Total 2018 Same-Property revenues	46,573	1,279,640	1,244,743	34,897	2.8	%
2018 Non-Same Property Revenues		111,230	109,582	1,648	1.5	%
Total property revenues		\$1,390,870	\$1,354,325	\$36,545	2.7	%

⁽¹⁾ Same-property excludes properties held for sale.

2018 Same-Property Revenues increased by \$34.9 million or 2.8% to \$1.3 billion for 2018 compared to \$1.2 billion in 2017. The increase was primarily attributable to an increase of 2.5% in average rental rates from \$2,177 per apartment home for 2017 to \$2,231 per apartment home for 2018.

2018 Non-Same Property Revenues increased by \$1.6 million or 1.5% to \$111.2 million in 2018 compared to \$109.6 million in 2017. The increase was primarily due to revenue generated by Station Park Green - Phase I, a development community, which began producing rental income during the first quarter of 2018, and Sage at Cupertino, which was consolidated in March 2017, offset by the sales of Domain in the second quarter of 2018 and 8th & Hope in the fourth quarter of 2018.

Management and other fees from affiliates decreased by \$0.4 million or 4.2% to \$9.2 million in 2018 from \$9.6 million 2017. The decrease is primarily due to lower asset management fees caused by the amendment of the Wesco I joint venture operating agreement in October 2017.

Property operating expenses, excluding real estate taxes increased \$4.7 million or 2.1% to \$233.8 million in 2018 compared to \$229.1 million in 2017, primarily due to an increase of \$2.4 million in maintenance and repairs expenses as well as an increase of \$2.3 million in utilities expenses. 2018 Same-Property operating expenses excluding real estate taxes, increased by \$4.2 million or 2.0% to \$218.7 million in 2018 compared to \$214.5 million in 2017, primarily due to a \$2.2 million increase in maintenance and repairs expenses as well as an increase of \$2.2 million in utilities expenses.

Real estate taxes increased \$5.2 million or 3.6% to \$151.5 million in 2018 compared to \$146.3 million in 2017, primarily due to the acquisition of Marquis and increases in tax rates and property valuations, offset by the sales of Domain in the second quarter of 2018 and 8th & Hope in the fourth quarter of 2018. 2018 Same-Property real estate taxes increased by \$4.9 million or 3.7% to \$138.4 million in 2018 compared to \$133.5 million in 2017 due to increases in tax rates and property valuations.

Corporate-level property management expenses increased by \$0.9 million or 3.0% to \$31.1 million in 2018 compared to \$30.2 million in 2017, primarily due to an increase in corporate-level property management and staffing costs supporting the communities.

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Depreciation and amortization expense increased by \$11.0 million or 2.3% to \$479.9 million in 2018 compared to \$468.9 million in 2017, primarily due to the completion of the Station Park Green - Phase I development during the first and second quarters of 2018, the consolidation of Sage at Cupertino in March 2017, as well as an increase in redevelopment activity in 2018 versus 2017, partially offset by a decrease due to the sales of Domain in the second quarter of 2018 and 8th & Hope in the fourth quarter of 2018.

Interest expense decreased \$2.4 million or 1.1% to \$220.5 million in 2018 compared to \$222.9 million in 2017, primarily due to debt that was paid off or matured and regular principal amortization during and after 2017, which resulted in a decrease in interest expense of \$16.2 million for 2018. Additionally, there was a \$4.8 million increase in capitalized interest during 2018, which was due to an increase in development costs as compared to 2017. These decreases in interest expense were partially offset by an increase in average outstanding debt primarily as a result of the issuance of \$350.0 million senior unsecured notes due May 1, 2027 in April 2017 and \$300.0 million senior unsecured notes due March 15, 2048 in March 2018, which resulted in an increase of \$18.6 million interest expense for 2018 as compared to 2017.

Total return swap income of \$8.7 million in 2018 consists of monthly settlements related to the Company's total return swap contracts that were entered into during 2015, in connection with issuing \$257.3 million of fixed rate tax-exempt mortgage notes payable. The decrease of \$1.4 million or 13.9% from \$10.1 million in 2017 was due to less favorable interest rates in 2018.

Interest and other income decreased \$1.6 million or 6.5% to \$23.0 million in 2018 compared to \$24.6 million in 2017, primarily due to unrealized losses on marketable securities of \$5.2 million that were recognized through income during 2018, partially offset by an increase in marketable securities and other interest income of \$4.2 million.

Equity income from co-investments increased by \$2.7 million or 3.1% to \$89.1 million in 2018 compared to \$86.4 million in 2017, primarily due to \$20.5 million of co-investment promote income from the BEXAEW joint venture recognized during the first quarter of 2018, an increase in income from preferred equity investments of \$11.8 million, and a gain on early retirement of debt from an unconsolidated co-investment of \$3.7 million in the third quarter of 2018, partially offset by a decrease in gains on sales of co-investment communities of \$34.3 million.

Gain on sale of real estate and land increased by \$35.5 million or 134.5% to \$61.9 million in 2018 compared to \$26.4 million in 2017. The Company's 2018 gain was attributable to the sales of Domain in the second quarter of 2018 and 8th & Hope in the fourth quarter of 2018, which resulted in a gain of \$22.3 million and \$39.6 million, respectively, for the Company. The Company's 2017 gain was primarily attributable to the sale of Jefferson at Hollywood, which resulted in a gain of \$26.2 million.

Gain on remeasurement of co-investment of \$1.3 million in 2018 resulted from the purchase of the Company's joint venture partner's 49.9% membership interest in the Marquis co-investment in December 2018. Gain on remeasurement of \$88.6 million in 2017 resulted from the purchase of the Company's joint venture partner's 50% membership interest in the Palm Valley co-investment in January 2017.

Comparison of Year Ended December 31, 2017 to the Year Ended December 31, 2016

The Company's average financial occupancies for the Company's stabilized apartment communities or "2017 Same-Property" (stabilized properties consolidated by the Company for the years ended December 31, 2017 and 2016) increased 30 basis points to 96.6% in 2017 from 96.3% in 2016. The regional breakdown of the Company's 2017 Same-Property portfolio for financial occupancy for the years ended December 31, 2017 and 2016 is as follows:

Years ended

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	December 31,	
	2017	2016
Southern California	96.6%	96.3%
Northern California	96.8%	96.3%
Seattle Metro	96.4%	96.1%

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The following table provides a breakdown of revenue amounts, including the revenues attributable to 2017 Same-Properties:

Property Revenues (\$ in thousands)	Number of Apartment Homes	Years Ended December 31,		Dollar Change	Percentage Change	
		2017	2016			
2017 Same-Properties: ⁽¹⁾						
Southern California	21,998	\$559,113	\$538,738	\$20,375	3.8	%
Northern California	13,892	436,876	425,823	11,053	2.6	%
Seattle Metro	10,238	229,871	217,259	12,612	5.8	%
Total 2017 Same-Property revenues	46,128	1,225,860	1,181,820	44,040	3.7	%
2017 Non-Same Property Revenues		128,465	103,903	24,562	23.6	%
Total property revenues		\$1,354,325	\$1,285,723	\$68,602	5.3	%

⁽¹⁾ Same-property excludes properties held for sale.

2017 Same-Property Revenues increased by \$44.0 million or 3.7% to \$1.2 billion for 2017 compared to \$1.2 billion in 2016. The increase was primarily attributable to an increase of 3.3% in average rental rates from \$2,095 per apartment home for 2016 to \$2,164 per apartment home for 2017.

2017 Non-Same Property Revenues increased by \$24.6 million or 23.6% to \$128.5 million in 2017 compared to \$103.9 million in 2016. The increase was primarily due to revenue generated by Palm Valley, which was consolidated in January 2017.

Management and other fees from affiliates increased by \$1.3 million or 15.7% to \$9.6 million in 2017 from \$8.3 million in 2016. The increase is primarily due to property management fee revenue from joint venture development communities that went into lease-up from the third quarter of 2016 until the fourth quarter of 2017.

Property operating expenses, excluding real estate taxes increased \$9.4 million or 4.3% to \$229.1 million in 2017 compared to \$219.7 million in 2016, primarily due to expenses generated by Palm Valley, which was consolidated in January 2017. 2017 Same-Property operating expenses excluding real estate taxes, increased by \$5.5 million or 2.7% to \$210.4 million in 2017 compared to \$204.9 million in 2016, primarily due to a \$4.3 million increase in utilities.

Real estate taxes increased \$7.1 million or 5.1% to \$146.3 million in 2017 compared to \$139.2 million in 2016, primarily due to property taxes at Palm Valley, which was consolidated in January 2017 and due to increases in tax rates and property valuations. 2017 Same-Property real estate taxes increased by \$4.1 million or 3.3% to \$130.1 million in 2017 compared to \$126.0 million in 2016 due to increases in tax rates and property valuations.

Corporate-level property management expenses increased \$0.1 million or 0.3% to \$30.2 million in 2017 compared to \$30.1 million in 2016, primarily due to a slight increase in corporate-level property management and staffing costs supporting the communities.

Depreciation and amortization expense increased by \$27.2 million or 6.2% to \$468.9 million in 2017 compared to \$441.7 million in 2016, primarily due to depreciation at Palm Valley, which was consolidated in January 2017.

Interest expense increased \$3.2 million or 1.5% to \$222.9 million in 2017 compared to \$219.7 million in 2016, due to an increase in average outstanding debt primarily due to the \$350.0 million senior unsecured notes due May 1, 2027 issued in April 2017 and the \$450.0 million senior unsecured notes due April 15, 2026 issued in April 2016, which resulted in \$19.1 million of interest expense for 2017 compared to 2016. These additions were partially offset by

various debts that were paid off or matured and regular principal amortization during and after 2016, which resulted in a decrease in interest expense of \$14.5 million for 2017. Additionally, there was a \$1.4 million increase in capitalized interest in 2017 compared to 2016, which was due to an increase in development costs as compared to the same period in 2016.

Total return swap income of \$10.1 million in 2017 consists of monthly settlements related to the Company's total return swap contracts that were entered into during 2015, in connection with issuing \$257.3 million of fixed rate tax-exempt mortgage notes payable. The decrease of \$1.6 million or 13.7% from \$11.7 million in 2016 was due to less favorable interest rates in 2017.

Interest and other income decreased \$2.7 million or 9.9% to \$24.6 million in 2017 compared to \$27.3 million in 2016, primarily due to a decrease of \$3.8 million in income from the gain on sale of marketable securities combined with a decrease

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of \$3.5 million in income from insurance reimbursements, legal settlements, and other, partially offset by an increase of \$4.6 million in marketable securities and other interest income.

Equity income from co-investments increased by \$37.7 million or 77.4% to \$86.4 million in 2017 compared to \$48.7 million in 2016, primarily due to the sale of two properties by BEXAEW and one property by Wesco I during 2017, which resulted in a total gain of \$44.8 million, as well as increases in preferred equity income of approximately \$7.5 million. In 2016, two co-investment properties were sold, resulting in gains of \$13.0 million for the Company during 2016.

Gain on sale of real estate and land decreased by \$128.2 million or 82.9% to \$26.4 million in 2017 compared to \$154.6 million in 2016. The Company's 2017 gain was primarily attributable to the sale of Jefferson at Hollywood, which resulted in a gain of \$26.2 million for the Company.

Deferred tax expense on gain on sale of real estate and land of \$4.4 million for 2016 was recorded primarily due to the sale of Harvest Park, which was owned by our wholly owned taxable REIT subsidiary. There was no current tax expense on the sale of real estate and land for 2016 as the Harvest Park proceeds were used in a like-kind exchange transaction. There were no such transactions during 2017.

Gain on remeasurement of co-investment of \$88.6 million in 2017 resulted from the purchase of the Company's joint venture partner's 50% membership interest in the Palm Valley co-investment in January 2017. There were no such transactions during 2016.

Liquidity and Capital Resources

The following table sets forth the Company's cash flows for 2018, 2017 and 2016 (\$ in thousands):

	For the year ended December 31,		
	2018	2017	2016
Cash flow provided by (used in):			
Operating activities	\$826,554	\$769,607	\$716,792
Investing activities	\$(59,893)	\$(567,940)	\$(413,071)
Financing activities	\$(676,392)	\$(310,843)	\$(256,474)

Essex's business is operated primarily through the Operating Partnership. Essex issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses from operating as a public company which are fully reimbursed by the Operating Partnership. Essex itself does not hold any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. Essex's principal funding requirement is the payment of dividends on its common stock and preferred stock. Essex's sole source of funding for its dividend payments is distributions it receives from the Operating Partnership.

As of December 31, 2018, Essex owned a 96.6% general partner interest and the limited partners owned the remaining 3.4% interest in the Operating Partnership.

The liquidity of Essex is dependent on the Operating Partnership's ability to make sufficient distributions to Essex. The primary cash requirement of Essex is its payment of dividends to its stockholders. Essex also guarantees some of the Operating Partnership's debt, as discussed further in Notes 7 and 8 to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K. If the Operating Partnership fails to fulfill certain of its debt requirements, which trigger Essex's guarantee obligations, then Essex will be required to fulfill its cash payment commitments under such guarantees. However, Essex's only significant asset is its investment in the Operating

Partnership.

For Essex to maintain its qualification as a REIT, it must pay dividends to its stockholders aggregating annually at least 90% of its REIT taxable income, excluding net capital gains. While historically Essex has satisfied this distribution requirement by making cash distributions to its stockholders, it may choose to satisfy this requirement by making distributions of other property, including, in limited circumstances, Essex's own stock. As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. Essex may need to continue to raise capital in the equity markets to fund the Operating Partnership's working capital needs, acquisitions and developments.

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At December 31, 2018, the Company had \$134.5 million of unrestricted cash and cash equivalents and \$209.5 million in marketable securities, of which \$82.4 million were equity securities or available for sale debt securities. The Company believes that cash flows generated by its operations, existing cash and cash equivalents, marketable securities balances, availability under existing lines of credit, access to capital markets and the ability to generate cash from the disposition of real estate are sufficient to meet all of the Company's reasonably anticipated cash needs during 2019. The timing, source and amounts of cash flows provided by financing activities and used in investing activities are sensitive to changes in interest rates and other fluctuations in the capital markets environment, which can affect the Company's plans for acquisitions, dispositions, development and redevelopment activities.

As of December 31, 2018, the Company had \$275.0 million of private placement unsecured bonds outstanding at an average interest rate of 4.5% with maturity dates ranging from December 2019 through August 2021.

As of December 31, 2018, the Company had \$3.2 billion of fixed rate public bonds outstanding at an average interest rate of 3.9% with maturity dates ranging from 2021 to 2048.

As of December 31, 2018, the Company had \$350.0 million outstanding on its unsecured term loan. The unsecured term loan bears a variable interest rate of LIBOR plus 0.95%. The Company has five interest rate swap contracts, with an aggregate notional balance of \$175.0 million, which effectively converts the interest rate on \$175.0 million of the unsecured term loan to a fixed rate of 2.3%.

As of December 31, 2018, the Company's mortgage notes payable totaled \$1.8 billion, net of unamortized premiums and debt issuance costs, which consisted of \$1.5 billion in fixed rate debt at an average interest rate of 4.6% and maturity dates ranging from 2019 to 2028 and \$268.1 million of tax-exempt variable rate demand notes with a weighted average interest rate of 2.5%. The tax-exempt variable rate demand notes have maturity dates ranging from 2025 to 2046, and \$9.9 million is subject to interest rate caps. \$256.0 million is subject to total return swaps.

As of December 31, 2018, the Company had two unsecured lines of credit aggregating \$1.24 billion, including a \$1.2 billion unsecured line of credit and a \$35.0 million working capital unsecured line of credit. As of December 31, 2018, there was no amount outstanding on the \$1.2 billion unsecured line of credit. The interest rate is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.875% as of December 31, 2018. In January 2019 this line of credit was amended such that the scheduled maturity date was extended to December 2022 with one 18-month extension, exercisable at the Company's option. The interest rate on the amended line is based on a tiered rate structure tied to the Company's credit ratings and is currently at LIBOR plus 0.825%. As of December 31, 2018, there was no amount outstanding on the Company's \$35.0 million working capital unsecured line of credit. The interest rate on the line is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.875% as of December 31, 2018.

The Company's unsecured lines of credit and unsecured debt agreements contain debt covenants related to limitations on indebtedness and liabilities and maintenance of minimum levels of consolidated earnings before depreciation, interest and amortization. The Company was in compliance with the debt covenants as of December 31, 2018 and 2017.

The Company pays quarterly dividends from cash available for distribution. Until it is distributed, cash available for distribution is invested by the Company primarily in investment grade securities held available for sale or is used by the Company to reduce balances outstanding under its lines of credit.

Derivative Activity

The Company uses interest rate swaps, interest rate caps, and total return swap contracts to manage certain interest rate risks. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps and total return swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

The Company has entered into interest rate swap contracts with an aggregate notional amount of \$175.0 million that effectively fixed the interest rate on the \$175.0 million of the \$350.0 million unsecured term loan at 2.3%. These derivatives qualify for hedge accounting.

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The Company has four total return swap contracts, with an aggregate notional amount of \$256.0 million, that effectively converts \$256.0 million of mortgage notes payable to a floating interest rate based on the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") plus a spread. The total return swaps provide fair market value protection on the mortgage notes payable to our counterparties during the initial period of the total return swap until the Company's option to call the mortgage notes at par can be exercised. The Company can currently call all four of the total return swaps, with \$256.0 million of the outstanding debt at par. These derivatives do not qualify for hedge accounting.

As of December 31, 2018 the Company also had interest rate caps with an aggregate notional amount of \$9.9 million that effectively limit the Company's exposure to interest rate risk by providing a ceiling on the variable interest rate for a portion of the Company's tax exempt variable rate debt.

As of December 31, 2018 and 2017, the aggregate carrying value of the interest rate swap contracts was an asset of \$5.8 million and \$5.4 million, respectively and is included in prepaid expenses and other assets on the consolidated balance sheets and a liability of zero at each date. The aggregate carrying value of the interest rate caps was zero on the balance sheets as of both December 31, 2018 and 2017. The aggregate carrying value of the total return swaps was zero as of both December 31, 2018 and 2017.

Hedge ineffectiveness related to cash flow hedges, which is reported in current year income as interest expense, net was a loss of \$0.1 million, and gains of \$0.1 million, and \$0.3 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Issuance of Common Stock

In September 2018, the Company filed a new shelf registration statement with the SEC, allowing the Company to sell an undetermined number or amount of certain equity and debt securities of the Company, as defined in the prospectus contained in the shelf registration statement.

Also in September 2018, the Company entered into a new equity distribution agreement in connection with the 2018 ATM Program pursuant to which the Company may offer and sell shares of its common stock having an aggregate gross sales price of up to \$900.0 million. In connection with the 2018 ATM Program, the Company may also enter into related forward sale agreements whereby, at the Company's discretion, it may sell shares of its common stock under the 2018 ATM Program under forward sales agreements. The use of a forward sales agreement would allow the Company to lock in a share price on the sale of shares of its common stock at the time the agreement is executed, but defer receiving the proceeds from the sale of shares until a later date. The Company anticipates using the net proceeds, which are contributed to the Operating Partnership, to acquire, develop, or redevelop properties, which primarily will be apartment communities, to make other investments and for working capital or general corporate purposes, which may include the repayment of indebtedness.

Upon entering into the 2018 ATM Program, the Company simultaneously terminated its existing 2016 ATM Program. Since commencement of the 2018 ATM Program through December 31, 2018, the Company did not sell any shares of its common stock through the 2018 ATM Program or through the 2016 ATM Program. As of December 31, 2018, \$900.0 million of shares remains available to be sold under the 2018 ATM Program. For the year ended December 31, 2017, the Company issued 345,444 shares of common stock through the 2016 ATM Program at an average price of \$260.38 per share for total proceeds of \$89.1 million, net of fees and commissions. For the year ended December 31, 2016, the Company did not issue any shares of common stock pursuant to the 2016 ATM Program.

Capital Expenditures

Non-revenue generating capital expenditures are improvements and upgrades that extend the useful life of the property. For the year ended December 31, 2018, non-revenue generating capital expenditures totaled approximately \$1,342 per apartment home. These expenditures do not include the improvements required in connection with the origination of mortgage loans, expenditures for deferred maintenance on acquisition properties, expenditures for property renovations and improvements which are expected to generate additional revenue or cost savings, and do not include expenditures incurred, due to changes in government regulations, that the Company would not have incurred otherwise, and expenditures in which the Company expects to be reimbursed. The Company expects that cash from operations and/or its lines of credit will fund such expenditures.

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Development and Predevelopment Pipeline

The Company defines development projects as new communities that are being constructed, or are newly constructed and are in a phase of lease-up and have not yet reached stabilized operations. As of December 31, 2018, the Company's development pipeline was comprised of four consolidated projects under development, two unconsolidated joint venture projects under development and various consolidated predevelopment projects, aggregating 1,861 apartment homes, with total incurred costs of \$0.8 billion, and estimated remaining project costs of approximately \$0.4 billion, \$0.3 billion of which represents the Company's estimated remaining costs, for total estimated project costs of \$1.2 billion.

The Company defines predevelopment projects as proposed communities in negotiation or in the entitlement process with an expected high likelihood of becoming entitled development projects. The Company may also acquire land for future development purposes or sale.

The Company expects to fund the development and predevelopment pipeline by using a combination of some or all of the following sources: its working capital, amounts available on its lines of credit, construction loans, net proceeds from public and private equity and debt issuances, and proceeds from the disposition of assets, if any.

Redevelopment Pipeline

The Company defines redevelopment communities as existing properties owned or recently acquired, which have been targeted for additional investment by the Company with the expectation of increased financial returns through property improvement. During redevelopment, apartment homes may not be available for rent and, as a result, may have less than stabilized operations. As of December 31, 2018, the Company had ownership interests in five major redevelopment communities aggregating 1,727 apartment homes with estimated redevelopment costs of \$140.1 million, of which approximately \$27.8 million remains to be expended.

Alternative Capital Sources

The Company utilizes co-investments as an alternative source of capital for acquisitions of both operating and development communities. As of December 31, 2018, the Company had an interest in 814 apartment homes in communities actively under development with joint ventures for total estimated costs of \$0.6 billion. Total estimated remaining costs total approximately \$0.2 billion, of which the Company estimates that its remaining investment in these development joint ventures will be approximately \$0.1 billion. In addition, the Company had an interest in 10,613 apartment homes in operating communities with joint ventures for a total book value of \$0.8 billion.

Contractual Obligations and Commercial Commitments

The following table summarizes our obligations at December 31, 2018 (\$ in thousands):

	For the Fiscal Years Ending				Total
	2019	2020 and 2021	2022 and 2023	Thereafter	
Mortgage notes payable	\$515,658	\$737,327	\$42,030	\$500,880	\$1,795,895
Unsecured debt	75,000	500,000	1,250,000	2,000,000	3,825,000
Lines of credit	—	—	—	—	—
Interest on indebtedness ⁽¹⁾	212,676	325,635	213,209	535,013	1,286,533
Ground leases	3,506	7,012	7,012	128,497	146,027
Operating leases	3,305	6,720	6,736	24,761	41,522

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Development commitments (including co-investments)	278,412	31,607	—	—	310,019
(2)	\$1,088,557	\$1,608,301	\$1,518,987	\$3,189,151	\$7,404,996

- (1) Interest on indebtedness for variable debt was calculated using interest rates as of December 31, 2018.
- (2) Estimated project cost for development of the Company's 500 Folsom project is net of a projected value for low-income housing tax credit proceeds and the value of the tax exempt bond structure.

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Variable Interest Entities

In accordance with accounting standards for consolidation of variable interest entities ("VIEs"), the Company consolidates the Operating Partnership, 16 DownREIT limited partnerships (comprising eight communities) and eight co-investments as of December 31, 2018. The Company consolidates these entities because it is deemed the primary beneficiary. Essex has no assets or liabilities other than its investment in the Operating Partnership. The consolidated total assets and liabilities related to the eight consolidated co-investments and 16 DownREIT limited partnerships, net of intercompany eliminations, were approximately \$849.8 million and \$261.7 million, respectively, as of December 31, 2018, and \$837.7 million and \$265.5 million respectively, as of December 31, 2017. Noncontrolling interests in these entities were \$64.5 million and \$66.7 million as of December 31, 2018 and 2017, respectively. The Company's financial risk in each VIE is limited to its equity investment in the VIE. As of December 31, 2018, the Company did not have any other VIEs of which it was deemed to be the primary beneficiary and did not have any VIEs of which it was not deemed to be the primary beneficiary.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements, in accordance with U.S. generally accepted accounting principles, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The Company defines critical accounting policies as those accounting policies that require the Company's management to exercise their most difficult, subjective and complex judgments. The Company's critical accounting policies and estimates relate principally to the following key areas: (i) accounting for the acquisition of investments in real estate; and (ii) assessing the carrying values of our real estate properties and investments in and advances to joint ventures and affiliates. Specifically, determining the fair value of a real estate property or investment in and advances to a joint venture or affiliate after an indication of impairment is identified involves significant judgment. The Company bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates made by management.

The Company accounts for its acquisitions of investments in real estate by assessing each acquisition to determine if it meets the definition of a business or if it qualifies as an asset acquisition. We expect that acquisitions of individual operating communities will generally be viewed as asset acquisitions, and result in the capitalization of acquisition costs, and the allocation of purchase price to the assets acquired and liabilities assumed based on the relative fair value of the respective assets and liabilities.

The relative fair value of the tangible assets, which principally includes land and building, is determined first by valuing the property as a whole as if it were vacant, using stabilized net operating income and market specific capitalization rates. The relative fair value of the land and building is then allocated based on its estimated fair value.

In calculating the fair value of identified intangible assets of an acquired property, the in-place leases are valued based on in-place rent rates and amortized over the average remaining term of all acquired leases.

The Company assesses the carrying value of its real estate investments by monitoring investment market conditions and performance compared to budget for operating properties and joint ventures, and by monitoring estimated costs for properties under development. Local market knowledge and data is used to assess carrying values of properties and the market value of acquisition opportunities. Whenever events or changes in circumstances indicate that the carrying amount of a property held for investment may not be fully recoverable, the carrying amount is evaluated. If the sum of the property's expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the property, then the Company will recognize an impairment loss equal to the excess of the carrying amount over the fair value of the property. Adverse changes in market conditions or poor operating results of real estate

investments could result in impairment charges. When the Company determines that a property is held for sale, it discontinues the periodic depreciation of that property. The criteria for determining when a property is held for sale requires judgment and has potential financial statement impact as depreciation would cease and an impairment loss could occur upon determination of held for sale status. Assets held for sale are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Further, the Company evaluates whether its co-investments are other than temporarily impaired and, if so, records an impairment loss equal to the excess of the co-investments' carrying value over its estimated fair value.

The Company bases its accounting estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could be different under different assumptions or conditions.

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Net Operating Income

Net operating income ("NOI") and Same-Property NOI are considered by management to be an important supplemental performance measure to earnings from operations included in the Company's consolidated statements of income. The presentation of Same-Property NOI assists with the presentation of the Company's operations prior to the allocation of depreciation and any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual communities or groups of communities. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. The Company defines Same-Property NOI as Same-Property revenue less Same-Property operating expenses, including property taxes. Please see the reconciliation of earnings from operations to Same-Property NOI, which in the table below is the NOI for stabilized properties consolidated by the Company for the periods presented (\$ in thousands):

	2018	2017	2016
Earnings from operations	\$450,128	\$446,522	\$420,800
Adjustments:			
Corporate-level property management expenses	31,062	30,156	30,110
Depreciation and amortization	479,884	468,881	441,682
Management and other fees from affiliates	(9,183)	(9,574)	(8,278)
General and administrative	53,451	41,385	40,751
Expensed acquisition and investment related costs	194	1,569	1,841
NOI	1,005,536	978,939	926,906
Less: Non Same-Property NOI	(82,998)	(82,177)	(74,952)
Same-Property NOI	\$922,538	\$896,762	\$851,954

Forward-Looking Statements

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report on Form 10-K which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities and Exchange Act, including statements regarding the Company's expectations, estimates, assumptions, hopes, intentions, beliefs and strategies regarding the future. Words such as "expects," "anticipates," "may," "will," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements include statements regarding the Company's expectations as to the timing of completion of current development and redevelopment projects and the stabilization dates of such projects, expectations as to the total projected costs of development and redevelopment projects, beliefs as to the adequacy of future cash flows to meet anticipated cash needs, expectations as to the amount of non-revenue generating capital expenditures, future acquisitions, the Company's development and redevelopment pipeline and the sources of funding for it, the anticipated performance of existing properties, anticipated property and growth trends in various geographic regions, statements regarding the Company's expected 2019 Same-Property revenue generally and in various areas, and 2019 Same-Property operating expenses, statements regarding the Company's financing activities, and the use of proceeds from such activities.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, that the Company may fail to achieve its business objectives, that the actual completion of development and redevelopment projects will be subject to delays, that the stabilization dates of such projects will be delayed, that the total projected costs of current development and redevelopment projects will exceed expectations, that such development and redevelopment projects will not be completed, that development and redevelopment projects and

acquisitions will fail to meet expectations, that estimates of future income from acquired properties may prove to be inaccurate, that there may be increased interest rates and operating costs, that future cash flows will be inadequate to meet operating requirements and/or will be insufficient to provide for dividend payments in accordance with REIT requirements, that actual non-revenue generating capital expenditures may exceed the Company's current expectations, that there may be a downturn general economic conditions, the real estate industry and the markets in which the Company's communities are located, that the terms of any refinancing may not be as favorable as the terms of existing indebtedness, as well as those risks, special considerations, and other factors discussed in Item 1A, Risk Factors, of this Form 10-K, and those risk factors and special considerations set forth in the Company's other filings with the SEC which may cause the actual results, performance or achievements of the Company to be materially different from any

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future results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements are made as of today, and the Company assumes no obligation to update this information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Hedging Activities

The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company uses interest rate swaps as part of its cash flow hedging strategy. As of December 31, 2018, the Company had entered into five interest rate swap contracts to mitigate the risk of changes in the interest-related cash outflows on \$175.0 million of the unsecured term debt. As of December 31, 2018, the Company also had \$269.6 million of secured variable rate indebtedness, of which \$9.9 million is subject to interest rate cap protection. All of the Company's interest rate swaps are designated as cash flow hedges as of December 31, 2018. The following table summarizes the notional amount, carrying value, and estimated fair value of the Company's cash flow hedge derivative instruments used to hedge interest rates as of December 31, 2018. The notional amount represents the aggregate amount of a particular security that is currently hedged at one time, but does not represent exposure to credit, interest rates or market risks. The table also includes a sensitivity analysis to demonstrate the impact on the Company's derivative instruments from an increase or decrease in 10-year Treasury bill interest rates by 50 basis points, as of December 31, 2018.

(\$ in thousands)	Notional Amount	Maturity Date Range	Carrying and Estimated	Estimated Carrying Value	
			Estimated Fair Value	+ 50 Basis Points	- 50 Basis Points
Cash flow hedges:					
Interest rate swaps	\$ 175,000	2022	\$ 5,844	\$ 8,377	\$ 3,324
Interest rate caps	9,924	2019	—	—	—
Total cash flow hedges	\$ 184,924	2019-2022	\$ 5,844	\$ 8,377	\$ 3,324

Additionally, the Company has entered into total return swap contracts, with an aggregate notional amount of \$256.0 million that effectively convert \$256.0 million of fixed mortgage notes payable to a floating interest rate based on the SIFMA plus a spread and have a carrying value of zero at December 31, 2018. The Company is exposed to insignificant interest rate risk on these swaps as the related mortgages are callable, at par, by the Company, co-terminus with the termination of any related swap. These derivatives do not qualify for hedge accounting.

Interest Rate Sensitive Liabilities

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows primarily at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps and treasury locks in order to mitigate its interest rate risk on a related financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes.

The Company's interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts and weighted average interest rates by year of expected maturity to evaluate the expected cash flows. Management has estimated that the fair value of the Company's \$5.0 billion of fixed rate debt at December 31, 2018,

to be \$5.0 billion. Management has estimated the fair value of the Company's \$619.6 million of variable rate debt at December 31, 2018, to be \$615.2 million based on the terms of existing mortgage notes payable and variable rate demand notes compared to those available in the marketplace. The following table represents scheduled principal payments (\$ in thousands):

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(\$ in thousands, except for interest rates)	For the Years Ended December 31,							
	2019	2020	2021	2022	2023	Thereafter	Total	Fair value
Fixed rate debt	\$590,06	\$693,071	\$542,891	\$340,398	\$600,000	\$2,234,849	\$5,001,270	\$4,965,815
Average interest rate	4.4 %	5.0 %	4.5 %	3.8 %	3.7 %	3.8 %		
Variable rate debt ⁽¹⁾	\$597	\$652	\$713	\$350,780	\$852	\$266,031	\$619,625	\$615,178
Average interest rate	2.6 %	2.6 %	2.6 %	2.9 %	2.6 %	2.5 %		

⁽¹⁾ \$184.9 million is subject to interest rate protection agreements (\$175.0 million is subject to interest rate swaps and \$9.9 million is subject to interest rate caps). \$256.0 million is subject to total return swaps.

The table incorporates only those exposures that exist as of December 31, 2018; it does not consider those exposures or positions that could arise after that date. As a result, the Company's ultimate realized gain or loss, with respect to interest rate fluctuations and hedging strategies would depend on the exposures that arise prior to settlement.

Item 8. Financial Statements and Supplementary Data

The response to this item is submitted as a separate section of this Form 10-K. See Item 15.

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

Not applicable.

Item 9A. Controls and Procedures

Essex Property Trust, Inc.

As of December 31, 2018, Essex carried out an evaluation, under the supervision and with the participation of management, including Essex's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Essex's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, Essex's Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2018, Essex's disclosure controls and procedures were effective to ensure that the information required to be disclosed by Essex in the reports that Essex files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that Essex files or submits under the Exchange Act is accumulated and communicated to Essex's management, including Essex's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in Essex's internal control over financial reporting, that occurred during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, Essex's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Essex's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Essex's management assessed the effectiveness of Essex's internal control over financial reporting as of December 31, 2018. In making this assessment, Essex's management

used the criteria set forth in the report entitled "Internal Control-Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Essex's management has concluded that, as of December 31, 2018, its internal control over financial reporting was effective based on these criteria. Essex's independent registered public accounting firm, KPMG LLP, has issued an attestation report over Essex's internal control over financial reporting, which is included herein.

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Essex Portfolio, L.P.

As of December 31, 2018, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including Essex's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2018, the Operating Partnership's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Operating Partnership in the reports that the Operating Partnership files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that the Operating Partnership files or submits under the Exchange Act is accumulated and communicated to the Operating Partnership's management, including Essex's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in the Operating Partnership's internal control over financial reporting, that occurred during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Operating Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Operating Partnership's management assessed the effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018. In making this assessment, the Operating Partnership's management used the criteria set forth in the report entitled "Internal Control-Integrated Framework (2013)" published by COSO. The Operating Partnership's management has concluded that, as of December 31, 2018, its internal control over financial reporting was effective based on these criteria.

Item 9B. Other Information

New Form of Indemnification Agreement

On February 19, 2019, Essex's Board approved and adopted an amended and restated form of indemnification agreement (the "Indemnification Agreement") which Essex expects to enter into with each of the current directors and officers of the Company (collectively, the "Indemnitees"). The Indemnification Agreement replaces the existing form of indemnification agreement in place with the Company's directors and officers, which was adopted by the Board in 2011 (the "Prior Indemnification Agreement").

The Indemnification Agreement continues to provide for, among other things, the indemnification by the Company of the Indemnitees to the maximum extent permitted by Maryland law and the advancement of reasonable expenses incurred by Indemnitees in connection with certain legal proceedings, and shall be in addition to any other rights the Indemnitees may have under applicable law, the Company's charter documents or bylaws, or otherwise. The Indemnification Agreement also continues to set forth procedures for determining entitlement to indemnification, the requirements relating to notice and defense of claims for which indemnification is sought, the procedures for enforcement of indemnification rights, and the limitations on and exclusions from indemnification.

The foregoing description of the Indemnification Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the complete form of Indemnification Agreement, a copy of which is filed as Exhibit 10.4 to this Annual Report on Form 10-K and incorporated herein by reference.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Stockholders, under the heading "Board and Corporate Governance Matters," to be filed with the SEC within 120 days of December 31, 2018.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Stockholders, under the headings "Executive Compensation" and "Director Compensation," to be filed with the SEC within 120 days of December 31, 2018.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Stockholders, under the heading "Security Ownership of Certain Beneficial Owners and Management," to be filed with the SEC within 120 days of December 31, 2018.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Stockholders, under the heading "Certain Relationships and Related Persons Transactions," to be filed with the SEC within 120 days of December 31, 2018.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2019 Annual Meeting of Stockholders, under the headings "Report of the Audit Committee" and "Fees Paid to KPMG LLP," to be filed with the SEC within 120 days of December 31, 2018.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(A) Financial Statements

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(3) Financial Statement Schedule – Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2018	<u>F- 54</u>

(4) See the Exhibit Index immediately preceding the signature page and certifications for a list of exhibits filed or incorporated by reference as part of this report.

(B) Exhibits

The Company hereby files, as exhibits to this Form 10-K, those exhibits listed on the Exhibit Index referenced in Item 15(A)(4) above.

Item 16. Form 10-K Summary

None.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Essex Property Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Essex Property Trust, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the derecognition of nonfinancial assets in 2018 due to the adoption of the Financial Accounting Standards Board's Accounting Standard Update No. 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1994.

San Francisco, California
February 21, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Essex Property Trust, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Essex Property Trust, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 21, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

San Francisco, California

February 21, 2019

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Report of Independent Registered Public Accounting Firm

To the Unitholders and General Partner
Essex Portfolio, L.P.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Essex Portfolio, L.P. and subsidiaries (the Operating Partnership) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, capital, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Operating Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Operating Partnership has changed its method of accounting for the derecognition of nonfinancial assets in 2018 due to the adoption of the Financial Accounting Standards Board's Accounting Standard Update No. 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20).

Basis for Opinion

These consolidated financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Operating Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Operating Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

San Francisco, California
February 21, 2019

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Dollars in thousands, except share amounts)

	2018	2017
ASSETS		
Real estate:		
Rental properties:		
Land and land improvements	\$2,701,356	\$2,719,064
Buildings and improvements	10,664,745	10,643,009
	13,366,101	13,362,073
Less: accumulated depreciation	(3,209,548)	(2,769,297)
	10,156,553	10,592,776
Real estate under development	454,629	355,735
Co-investments	1,300,140	1,155,984
	11,911,322	12,104,495
Cash and cash equivalents-unrestricted	134,465	44,620
Cash and cash equivalents-restricted	16,930	16,506
Marketable securities	209,545	190,004
Notes and other receivables (includes related party receivables of \$11.1 million and \$41.2 million as of December 31, 2018 and December 31, 2017, respectively)	71,895	100,926
Prepaid expenses and other assets	39,439	39,155
Total assets	\$12,383,596	\$12,495,706
LIABILITIES AND EQUITY		
Unsecured debt, net	\$3,799,316	\$3,501,709
Mortgage notes payable, net	1,806,626	2,008,417
Lines of credit	—	179,000
Accounts payable and accrued liabilities	127,086	127,501
Construction payable	59,345	51,770
Dividends payable	128,529	121,420
Distributions in excess of investments in co-investments	—	36,726
Other liabilities	33,375	33,132
Total liabilities	5,954,277	6,059,675
Commitments and contingencies		
Redeemable noncontrolling interest	35,475	39,206
Equity:		
Common stock; \$0.0001 par value, 670,000,000 shares authorized; 65,890,322 and 66,054,399 shares issued and outstanding, respectively	7	7
Additional paid-in capital	7,093,079	7,129,571
Distributions in excess of accumulated earnings	(812,796)	(833,726)
Accumulated other comprehensive loss, net	(13,217)	(18,446)
Total stockholders' equity	6,267,073	6,277,406
Noncontrolling interest	126,771	119,419
Total equity	6,393,844	6,396,825
Total liabilities and equity	\$12,383,596	\$12,495,706

See accompanying notes to consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2018, 2017 and 2016

(Dollars in thousands, except per share and share amounts)

	2018	2017	2016
Revenues:			
Rental and other property	\$ 1,390,870	\$ 1,354,325	\$ 1,285,723
Management and other fees from affiliates	9,183	9,574	8,278
	1,400,053	1,363,899	1,294,001
Expenses:			
Property operating, excluding real estate taxes	233,809	229,076	219,655
Real estate taxes	151,525	146,310	139,162
Corporate-level property management expenses	31,062	30,156	30,110
Depreciation and amortization	479,884	468,881	441,682
General and administrative	53,451	41,385	40,751
Expensed acquisition and investment related costs	194	1,569	1,841
	949,925	917,377	873,201
Earnings from operations	450,128	446,522	420,800
Interest expense	(220,492)	(222,894)	(219,654)
Total return swap income	8,707	10,098	11,716
Interest and other income	23,010	24,604	27,305
Equity income from co-investments	89,132	86,445	48,698
Loss on early retirement of debt	—	(1,796)	(606)
Gain on sale of real estate and land	61,861	26,423	154,561
Deferred tax expense on gain on sale of real estate and land	—	—	(4,410)
Gain on remeasurement of co-investment	1,253	88,641	—
Net income	413,599	458,043	438,410
Net income attributable to noncontrolling interest	(23,446)	(24,984)	(23,431)
Net income attributable to controlling interest	390,153	433,059	414,979
Dividends to preferred stockholders	—	—	(1,314)
Excess of redemption value of preferred stock over the carrying value	—	—	(2,541)
Net income available to common stockholders	\$ 390,153	\$ 433,059	\$ 411,124
Per share data:			
Basic:			
Net income available to common stockholders	\$ 5.91	\$ 6.58	\$ 6.28
Weighted average number of shares outstanding during the year	66,041,058	65,829,155	65,471,540
Diluted:			
Net income available to common stockholders	\$ 5.90	\$ 6.57	\$ 6.27
Weighted average number of shares outstanding during the year	66,085,089	65,898,255	65,587,816

See accompanying notes to consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2018, 2017 and 2016

(Dollars in thousands)

	2018	2017	2016
Net income	\$413,599	\$458,043	\$438,410
Other comprehensive income (loss):			
Change in fair value of derivatives and amortization of swap settlements	7,824	12,744	15,926
Changes in fair value of marketable debt securities, net	(118)	3,284	(828)
Reversal of unrealized gains upon the sale of marketable debt securities	13	(1,909)	(4,848)
Total other comprehensive income	7,719	14,119	10,250
Comprehensive income	421,318	472,162	448,660
Comprehensive income attributable to noncontrolling interest	(23,702)	(25,451)	(23,768)
Comprehensive income attributable to controlling interest	\$397,616	\$446,711	\$424,892

See accompanying notes to consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended December 31, 2018, 2017 and 2016

(Dollars and shares in thousands)

	Series H Preferred stock		Common stock		Additional paid-in capital	Distributions in excess of accumulated earnings	Accumulated other comprehensive loss, net	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
Balances at December 31, 2015	2,950	\$73,750	65,379	\$ 6	\$7,003,317	\$(797,329)	\$(42,011)	\$99,290	\$6,337,023
Net income	—	—	—	—	—	414,979	—	23,431	438,410
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(4,689)	(159)	(4,848)
Change in fair value of derivatives and amortization of swap settlements	—	—	—	—	—	—	15,403	523	15,926
Change in fair value of marketable securities, net	—	—	—	—	—	—	(801)	(27)	(828)
Issuance of common stock under:									
Stock option and restricted stock plans, net	—	—	140	—	18,949	—	—	—	18,949
Sale of common stock, net	—	—	—	—	(384)	—	—	—	(384)
Equity based compensation costs	—	—	—	—	8,246	—	—	2,653	10,899
Redemption of Series H preferred stock	(2,950)	(73,750)	—	—	2,541	(2,541)	—	—	(73,750)
Retirement of common stock, net	—	—	(5)	—	(1,045)	—	—	—	(1,045)
Changes in the redemption value of redeemable noncontrolling interest	—	—	—	—	172	—	—	596	768
	—	—	—	—	—	—	—	(25,854)	(25,854)

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Distributions to noncontrolling interest									
Redemptions of noncontrolling interest	—	—	14	—	(2,117)) —	—	(394)) (2,511)
Preferred stock dividends (\$0.45 per share)	—	—	—	—	—	(1,314)	) —	—	(1,314)
Common stock dividends (\$6.40 per share)	—	—	—	—	—	(419,204)	) —	—	(419,204)
Balances at December 31, 2016	—	\$—	65,528	\$ 6	\$7,029,679	\$(805,409)	\$(32,098)	) \$ 100,059	\$6,292,237
Net income	—	—	—	—	—	433,059	—	24,984	458,043
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(1,846)) (63)) (1,909)

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Change in fair value of derivatives and amortization of swap settlements	_____	—	—	—	12,322	422	12,744		
Change in fair value of marketable securities, net	_____	—	—	—	3,176	108	3,284		
Issuance of common stock under:									
Stock option and restricted stock plans, net	_____179	—	26,635	—	—	—	26,635		
Sale of common stock, net	_____345	1	89,054	—	—	—	89,055		
Equity based compensation costs	_____	—	9,529	—	—	1,773	11,302		
Changes in the redemption value of redeemable noncontrolling interest	_____	—	(136	)	—	71	(65	
Changes in noncontrolling interest from acquisition	_____	—	—	—	—	22,506	22,506		
Distributions to noncontrolling interest	_____	—	—	—	—	(27,051	) (27,051	
Redemptions of noncontrolling interest	_____2	—	(25,190	)	—	(3,390	) (28,580
Common stock dividends (\$7.00 per share)	_____	—	—	(461,376	)	—	(461,376	
Balances at December 31, 2017	_____	—	\$66,054	\$7	\$7,129,571	\$(833,726)	\$(18,446)	\$119,419	\$6,396,825
Net income	_____	—	—	—	390,153	—	23,446	413,599	
Reversal of unrealized losses upon the sale of marketable debt securities	_____	—	—	—	13	—	13		
Change in fair value of derivatives and amortization of swap settlements	_____	—	—	—	7,564	260	7,824		
Change in fair value of marketable debt securities, net	_____	—	—	—	(114	) (4	) (118
Issuance of common stock under:									
Stock option and restricted stock plans, net	_____41	—	6,213	—	—	—	6,213		
Sale of common stock, net	_____	—	(919	)	—	—	(919	
Equity based compensation costs	_____	—	11,651	—	—	1,200	12,851		
Retirement of common stock, net	_____	(210	)	(51,233	)	—	(51,233
Cumulative effect upon adoption of ASU No. 2016-01	_____	—	—	2,234	(2,234)	—		
Cumulative effect upon adoption of ASU No. 2017-05	_____	—	—	119,651	—	4,057	123,708		

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Changes in the redemption value of redeemable noncontrolling interest	—	(1,143))	—	(21))	(1,164))	
Changes in noncontrolling interest from acquisition	—	—	—	—	7,919		7,919		
Distributions to noncontrolling interest	—	—	—	—	(29,233)	)	(29,233))	
Redemptions of noncontrolling interest	—	5	(1,061)	)	—	(272)	)	(1,333)
Common stock dividends (\$7.44 per share)	—	—	—	(491,108)	)	—	—	(491,108)
Balances at December 31, 2018	\$ 65,890	\$	7,093,079	\$(812,796)	\$(13,217)	\$	126,771	\$	6,393,844

See accompanying notes to consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2018, 2017 and 2016

(Dollars in thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net income	\$413,599	\$458,043	\$438,410
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	479,884	468,881	441,682
Amortization of discount on marketable securities	(17,637)	(15,119)	(14,211)
Amortization of (premium) discount and financing costs, net	(2,587)	(5,948)	(15,234)
Gain on sale of marketable securities	(737)	(1,909)	(5,719)
Unrealized gain on equity securities recognized through income	5,159	—	—
Company's share of gain on the sales of co-investments	(10,569)	(44,837)	(13,046)
Earnings from co-investments	(78,563)	(41,608)	(35,652)
Operating distributions from co-investments	99,593	76,764	60,472
Accrued interest from notes and other receivables	(5,436)	(4,030)	(302)
Gain on the sale of real estate and land	(61,861)	(26,423)	(154,561)
Equity-based compensation	7,135	9,286	9,811
Loss on early retirement of debt, net	—	1,796	606
Gain on remeasurement of co-investment	(1,253)	(88,641)	—
Changes in operating assets and liabilities:			
Prepaid expenses, receivables and other assets	(1,203)	(3,004)	2,730
Accounts payable and accrued liabilities	(145)	(13,474)	2,302
Other liabilities	1,175	(170)	(496)
Net cash provided by operating activities	826,554	769,607	716,792
Cash flows from investing activities:			
Additions to real estate:			
Acquisitions of real estate and acquisition related capital expenditures	(15,311)	(206,194)	(315,632)
Redevelopment	(73,000)	(69,928)	(83,927)
Development acquisitions of and additions to real estate under development	(182,772)	(137,733)	(75,367)
Capital expenditures on rental properties	(81,684)	(72,812)	(64,769)
Acquisition of membership interest in co-investments	—	—	—
Investments in notes receivable	—	(106,461)	(24,070)
Collections of notes and other receivables	29,500	55,000	4,070
Proceeds from insurance for property losses	1,408	648	5,543
Proceeds from dispositions of real estate	347,587	132,039	239,289
Contributions to co-investments	(162,437)	(293,363)	(183,989)
Changes in refundable deposits	(414)	837	(2,129)
Purchases of marketable securities	(37,952)	(67,893)	(18,779)
Sales and maturities of marketable securities	31,521	35,481	30,458
Non-operating distributions from co-investments	83,661	162,439	76,231
Net cash used in investing activities	(59,893)	(567,940)	(413,071)
Cash flows from financing activities:			

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Proceeds from unsecured debt and mortgage notes	298,773	597,981	669,282
Payments on unsecured debt and mortgage notes	(230,398)	(561,160)	(532,020)
Proceeds from lines of credit	742,961	982,246	596,106
Repayments of lines of credit	(921,961)	(928,246)	(486,106)
Repayment of cumulative redeemable preferred stock	—	—	(73,750)
Retirement of common stock	(51,233)	—	(1,045)
Additions to deferred charges	(4,250)	(4,108)	(7,926)
Payments related to debt prepayment penalties	—	(1,630)	(215)
Net proceeds from issuance of common stock	(919)	89,055	(384)
Net proceeds from stock options exercised	6,213	26,635	18,949
Payments related to tax withholding for share-based compensation	(869)	(316)	(386)
Distributions to noncontrolling interest	(29,050)	(26,552)	(25,334)
Redemption of noncontrolling interest	(1,333)	(28,580)	(2,511)
Redemption of redeemable noncontrolling interest	(144)	(5,543)	—
Common and preferred stock dividends paid	(484,182)	(450,625)	(411,134)
Net cash used in financing activities	(676,392)	(310,843)	(256,474)
Net increase (decrease) in unrestricted and restricted cash and cash equivalents	90,269	(109,176)	47,247
Unrestricted and restricted cash and cash equivalents at beginning of period	61,126	170,302	123,055
Unrestricted and restricted cash and cash equivalents at end of period	\$ 151,395	\$ 61,126	\$ 170,302

Supplemental disclosure of cash flow information:

Cash paid for interest, net of capitalized interest	\$ 203,803	\$ 212,163	\$ 203,743
Interest capitalized	\$ 18,708	\$ 13,860	\$ 12,486

Supplemental disclosure of noncash investing and financing activities:

Issuance of Operating Partnership units for contributed properties	\$ 7,919	\$ —	\$ —
Issuance of DownREIT limited partnership units in connection with acquisition of real estate	\$ —	\$ 22,506	\$ —
Transfers between real estate under development to rental properties, net	\$ 100,415	\$ 2,413	\$ 104,159
Transfer from real estate under development to co-investments	\$ 853	\$ 5,075	\$ 9,919
Reclassifications to (from) redeemable noncontrolling interest to or from additional paid in capital and noncontrolling interest	\$ 1,165	\$ 65	\$ (768)
Redemption of redeemable noncontrolling interest via reduction of note receivable	\$ 4,751	\$ —	\$ —
Debt assumed in connection with acquisition	\$ 45,804	\$ 51,882	\$ 48,832
Debt deconsolidated in connection with BEX II transaction	\$ —	\$ —	\$ 20,195
Repayment of mortgage note from new financing proceeds	\$ 52,000	\$ —	\$ —

See accompanying notes to consolidated financial statements

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ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Dollars in thousands, except per unit amounts)

	2018	2017
ASSETS		
Real estate:		
Rental properties:		
Land and land improvements	\$2,701,356	\$2,719,064
Buildings and improvements	10,664,745	10,643,009
	13,366,101	13,362,073
Less: accumulated depreciation	(3,209,548)	(2,769,297)
	10,156,553	10,592,776
Real estate under development	454,629	355,735
Co-investments	1,300,140	1,155,984
	11,911,322	12,104,495
Cash and cash equivalents-unrestricted	134,465	44,620
Cash and cash equivalents-restricted	16,930	16,506
Marketable securities	209,545	190,004
Notes and other receivables (related party receivables of \$11.1 million and \$41.2 million as of December 31, 2018 and December 31, 2017, respectively)	71,895	100,926
Prepaid expenses and other assets	39,439	39,155
Total assets	\$12,383,596	\$12,495,706
LIABILITIES AND CAPITAL		
Unsecured debt, net	\$3,799,316	\$3,501,709
Mortgage notes payable, net	1,806,626	2,008,417
Lines of credit	—	179,000
Accounts payable and accrued liabilities	127,086	127,501
Construction payable	59,345	51,770
Distributions payable	128,529	121,420
Distributions in excess of investments in co-investments	—	36,726
Other liabilities	33,375	33,132
Total liabilities	5,954,277	6,059,675
Commitments and contingencies		
Redeemable noncontrolling interest	35,475	39,206
Capital:		
General Partner:		
Common equity (65,890,322 and 66,054,399 units issued and outstanding, respectively)	6,280,290	6,295,852
	6,280,290	6,295,852
Limited Partners:		
Common equity (2,305,389 and 2,268,114 units issued and outstanding, respectively)	59,061	49,792
Accumulated other comprehensive loss	(9,738)	(15,229)
Total partners' capital	6,329,613	6,330,415
Noncontrolling interest	64,231	66,410
Total capital	6,393,844	6,396,825
Total liabilities and capital	\$12,383,596	\$12,495,706

See accompanying notes to consolidated financial statements

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ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2018, 2017, and 2016

(Dollars in thousands, except per unit and unit amounts)

	2018	2017	2016
Revenues:			
Rental and other property	\$1,390,870	\$1,354,325	\$1,285,723
Management and other fees from affiliates	9,183	9,574	8,278
	1,400,053	1,363,899	1,294,001
Expenses:			
Property operating, excluding real estate taxes	233,809	229,076	219,655
Real estate taxes	151,525	146,310	139,162
Corporate-level property management expenses	31,062	30,156	30,110
Depreciation and amortization	479,884	468,881	441,682
General and administrative	53,451	41,385	40,751
Expensed acquisition and investment related costs	194	1,569	1,841
	949,925	917,377	873,201
Earnings from operations	450,128	446,522	420,800
Interest expense	(220,492)	(222,894)	(219,654)
Total return swap income	8,707	10,098	11,716
Interest and other income	23,010	24,604	27,305
Equity income from co-investments	89,132	86,445	48,698
Loss on early retirement of debt	—	(1,796)	(606)
Gain on sale of real estate and land	61,861	26,423	154,561
Deferred tax expense on gain on sale of real estate and land	—	—	(4,410)
Gain on remeasurement of co-investment	1,253	88,641	—
Net income	413,599	458,043	438,410
Net income attributable to noncontrolling interest	(9,994)	(10,159)	(9,342)
Net income attributable to controlling interest	403,605	447,884	429,068
Preferred interest distributions	—	—	(1,314)
Excess of redemption value of preferred units over the carrying value	—	—	(2,541)
Net income available to common unitholders	\$403,605	\$447,884	\$425,213
Per unit data:			
Basic:			
Net income available to common unitholders	\$5.91	\$6.58	\$6.28
Weighted average number of common units outstanding during the year	68,315,999	68,081,730	67,695,640
Diluted:			
Net income available to common unitholders	\$5.90	\$6.57	\$6.27
Weighted average number of common units outstanding during the year	68,360,030	68,150,830	67,811,916

See accompanying notes to consolidated financial statements

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ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018, 2017, and 2016

(Dollars in thousands)

	2018	2017	2016
Net income	\$413,599	\$458,043	\$438,410
Other comprehensive income (loss):			
Change in fair value of derivatives and amortization of swap settlements	7,824	12,744	15,926
Changes in fair value of marketable debt securities, net	(118)	3,284	(828)
Reversal of unrealized gains upon the sale of marketable debt securities	13	(1,909)	(4,848)
Total other comprehensive income	7,719	14,119	10,250
Comprehensive income	421,318	472,162	448,660
Comprehensive income attributable to noncontrolling interest	(9,994)	(10,159)	(9,342)
Comprehensive income attributable to controlling interest	\$411,324	\$462,003	\$439,318

See accompanying notes to consolidated financial statements.

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ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES

Consolidated Statements of Capital

Years ended December 31, 2018, 2017, and 2016

(Dollars and units in thousands)

	General Partner		Preferred Equity Amount	Limited Partners		Accumulated other comprehensive loss, net	Noncontrolling	
	Common Equity Units	Amount		Common Equity Units	Amount		Interest	Total
Balances at December 31, 2015	65,379	\$6,208,535	\$71,209	2,215	\$47,235	\$ (39,598)	\$ 49,642	\$6,337,023
Net income	—	411,124	3,855	—	14,089	—	9,342	438,410
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	(4,848)	—	(4,848)
Change in fair value of derivatives and amortization of swap settlements	—	—	—	—	—	15,926	—	15,926
Change in fair value of marketable securities, net	—	—	—	—	—	(828)	—	(828)
Issuance of common stock under:								
General partner's stock based compensation, net	140	18,949	—	—	—	—	—	18,949
Sale of common stock by general partner, net	—	(384)	—	—	—	—	—	(384)
Equity based compensation costs	—	8,246	—	37	2,653	—	—	10,899
Redemption of Series H preferred units	—	—	(73,750)	—	—	—	—	(73,750)
Retirement of common units, net	(5)	(1,045)	—	—	—	—	—	(1,045)
Changes in the redemption value of redeemable noncontrolling interest	—	172	—	—	—	—	596	768
Distributions to noncontrolling interest	—	—	—	—	—	—	(11,296)	(11,296)
Redemptions	14	(2,117)	—	(15)	17	—	(411)	(2,511)
Preferred equity dividends (\$0.45 per unit)	—	—	(1,314)	—	—	—	—	(1,314)
Distributions declared (\$6.40 per unit)	—	(419,204)	—	—	(14,558)	—	—	(433,762)
Balances at December 31, 2016	65,528	\$6,224,276	\$—	2,237	\$49,436	\$ (29,348)	\$ 47,873	\$6,292,237
Net income	—	433,059	—	—	14,825	—	10,159	458,043
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	(1,909)	—	(1,909)

Change in fair value of derivatives and amortization of swap settlements	—	—	—	—	—	12,744	—	12,744
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Change in fair value of marketable securities, net	—	—	—	—	3,284	—	3,284
Issuance of common stock under:							
General partner's stock based compensation, net	179	26,635	—	—	—	—	26,635
Sale of common stock by general partner, net	345	89,055	—	—	—	—	89,055
Equity based compensation costs	—	9,529	—33	1,773	—	—	11,302
Changes in the redemption value of redeemable noncontrolling interest	—	(136)	—	136	—	(65)	(65)
Changes in noncontrolling interest from acquisition	—	—	—	—	—	22,506	22,506
Distributions to noncontrolling interest	—	—	—	—	—	(11,078)	(11,078)
Redemptions	2	(25,190)	—(2)	(405)	—	(2,985)	(28,580)
Distributions declared (\$7.00 per unit)	—	(461,376)	—	(15,973)	—	—	(477,349)
Balances at December 31, 2017	66,054	\$6,295,852	\$-2,268	\$49,792	\$(15,229)	\$66,410	\$6,396,825
Net income	—	390,153	—	13,452	—	9,994	413,599
Reversal of unrealized gains upon the sale of marketable debt securities	—	—	—	—	13	—	13
Change in fair value of derivatives and amortization of swap settlements	—	—	—	—	7,824	—	7,824
Change in fair value of marketable debt securities, net	—	—	—	—	(118)	—	(118)
Issuance of common stock under:							
General partner's stock based compensation, net	41	6,213	—	—	—	—	6,213
Sale of common stock by general partner, net	—	(919)	—	—	—	—	(919)
Equity based compensation costs	—	11,651	—11	1,200	—	—	12,851
Retirement of common units, net	(210)	(51,233)	—	—	—	—	(51,233)
Cumulative effect upon adoption of ASU No. 2016-01	—	2,234	—	(6)	(2,228)	—	—
Cumulative effect upon adoption of ASU No. 2017-05	—	119,651	—	4,057	—	—	123,708
Changes in redemption value of redeemable noncontrolling interest	—	(1,143)	—	(89)	—	68	(1,164)
Changes in noncontrolling interest from acquisition	—	—	—31	7,919	—	—	7,919

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Distributions to noncontrolling interest	—	—	—	—	—	(12,174)	(12,174)
Redemptions	5	(1,061)	(5)	(205)	—	(67)	(1,333)
Distributions declared (\$7.44 per unit)	—	(491,108)	—	(17,059)	—	—	(508,167)
Balances at December 31, 2018	65,890	\$6,280,290	\$-2,305	\$59,061	\$(9,738)	\$64,231	\$6,393,844

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ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2018, 2017, and 2016

(Dollars in thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net income	\$413,599	\$458,043	\$438,410
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	479,884	468,881	441,682
Amortization of discount on marketable securities	(17,637)	(15,119)	(14,211)
Amortization of (premium) discount and debt financing costs, net	(2,587)	(5,948)	(15,234)
Gain on sale of marketable securities	(737)	(1,909)	(5,719)
Unrealized gain on equity securities recognized through income	5,159	—	—
Company's share of gain on the sales of co-investments	(10,569)	(44,837)	(13,046)
Earnings from co-investments	(78,563)	(41,608)	(35,652)
Operating distributions from co-investments	99,593	76,764	60,472
Accrued interest from notes and other receivables	(5,436)	(4,030)	(302)
Gain on the sale of real estate and land	(61,861)	(26,423)	(154,561)
Equity-based compensation	7,135	9,286	9,811
Loss on early retirement of debt, net	—	1,796	606
Gain on remeasurement of co-investment	(1,253)	(88,641)	—
Changes in operating assets and liabilities:			
Prepaid expenses, receivables and other assets	(1,203)	(3,004)	2,730
Accounts payable and accrued liabilities	(145)	(13,474)	2,302
Other liabilities	1,175	(170)	(496)
Net cash provided by operating activities	826,554	769,607	716,792
Cash flows from investing activities:			
Additions to real estate:			
Acquisitions of real estate and acquisition related capital expenditures	(15,311)	(206,194)	(315,632)
Redevelopment	(73,000)	(69,928)	(83,927)
Development acquisitions of and additions to real estate under development	(182,772)	(137,733)	(75,367)
Capital expenditures on rental properties	(81,684)	(72,812)	(64,769)
Investments in notes receivable	—	(106,461)	(24,070)
Collections of notes and other receivables	29,500	55,000	4,070
Proceeds from insurance for property losses	1,408	648	5,543
Proceeds from dispositions of real estate	347,587	132,039	239,289
Contributions to co-investments	(162,437)	(293,363)	(183,989)
Changes in refundable deposits	(414)	837	(2,129)
Purchases of marketable securities	(37,952)	(67,893)	(18,779)
Sales and maturities of marketable securities	31,521	35,481	30,458
Non-operating distributions from co-investments	83,661	162,439	76,231
Net cash used in investing activities	(59,893)	(567,940)	(413,071)
Cash flows from financing activities:			
Proceeds from unsecured debt and mortgage notes	298,773	597,981	669,282

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Payments on unsecured debt and mortgage notes	(230,398)	(561,160)	(532,020)
Proceeds from lines of credit	742,961	982,246	596,106
Repayments of lines of credit	(921,961)	(928,246)	(486,106)
Repayment of cumulative redeemable preferred stock	—	—	(73,750)
Retirement of common stock	(51,233)	—	(1,045)
Additions to deferred charges	(4,250)	(4,108)	(7,926)
Payments related to debt prepayment penalties	—	(1,630)	(215)
Net proceeds from issuance of common units	(919)	89,055	(384)
Net proceeds from stock options exercised	6,213	26,635	18,949
Payments related to tax withholding for share-based compensation	(869)	(316)	(386)
Distributions to noncontrolling interest	(8,518)	(7,752)	(6,960)
Redemption of noncontrolling interests	(1,333)	(28,580)	(2,511)
Redemption of redeemable noncontrolling interests	(144)	(5,543)	—
Common and preferred units and preferred interests distributions paid	(504,714)	(469,425)	(429,508)
Net cash used in financing activities	(676,392)	(310,843)	(256,474)
Net increase (decrease) in unrestricted and restricted cash and cash equivalents	90,269	(109,176)	47,247
Unrestricted and restricted cash and cash equivalents at beginning of period	61,126	170,302	123,055
Unrestricted and restricted cash and cash equivalents at end of period	\$ 151,395	\$ 61,126	\$ 170,302
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	\$ 203,803	\$ 212,163	\$ 203,743
Interest capitalized	\$ 18,708	\$ 13,860	\$ 12,486
Supplemental disclosure of noncash investing and financing activities:			
Issuance of Operating Partnership units for contributed properties	\$ 7,919	\$ —	\$ —
Issuance of DownREIT limited partnership units in connection with acquisition of real estate	\$ —	\$ 22,506	\$ —
Transfers between real estate under development to rental properties, net	\$ 100,415	\$ 2,413	\$ 104,159
Transfer from real estate under development to co-investments	\$ 853	\$ 5,075	\$ 9,919
Reclassifications to (from) redeemable noncontrolling interest to or from additional paid in capital and noncontrolling interest	\$ 1,165	\$ 65	\$ (768)
Redemption of redeemable noncontrolling interest via reduction of note receivable	\$ 4,751	\$ —	\$ —
Debt assumed in connection with acquisition	\$ 45,804	\$ 51,882	\$ 48,832
Debt deconsolidated in connection with BEX II transaction	\$ —	\$ —	\$ 20,195
Repayment of mortgage note from new financing proceeds	\$ 52,000	\$ —	\$ —

See accompanying notes to consolidated financial statements

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

(1) Organization

The accompanying consolidated financial statements present the accounts of Essex Property Trust, Inc. ("Essex" or the "Company"), which include the accounts of the Company and Essex Portfolio, L.P. and its subsidiaries (the "Operating Partnership," which holds the operating assets of the Company). Unless otherwise indicated, the notes to consolidated financial statements apply to both the Company and the Operating Partnership.

Essex is the sole general partner in the Operating Partnership with a 96.6% general partner interest and the limited partners owned a 3.4% interest as of December 31, 2018. The limited partners may convert their Operating Partnership units into an equivalent number of shares of Essex common stock. Total Operating Partnership limited partnership units outstanding were 2,305,389 and 2,268,114 as of December 31, 2018 and 2017, respectively, and the redemption value of the units, based on the closing price of the Company's common stock totaled approximately \$565.3 million and \$547.5 million, as of December 31, 2018 and 2017, respectively. The Company has reserved shares of common stock for such conversions.

As of December 31, 2018, the Company owned or had ownership interests in 245 operating apartment communities, aggregating 59,661 apartment homes, excluding the Company's ownership in preferred interest co-investments, loan investments, one operating commercial building, and six active developments. The Communities are located in Southern California (Los Angeles, Orange, San Diego, and Ventura counties), Northern California (the San Francisco Bay Area) and the Seattle metropolitan areas.

(2) Summary of Critical and Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

The accounts of the Company, its controlled subsidiaries and the variable interest entities ("VIEs") in which it is the primary beneficiary are consolidated in the accompanying financial statements and prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included and are normal and recurring in nature. All significant inter-company accounts and transactions have been eliminated. Certain reclassifications have been made to conform to the current year's presentation, including the reclassification of corporate-level property management expenses out of property operating, excluding real estate taxes to its own line item on the Company's consolidated statements of income and comprehensive income. \$13.2 million has been reclassified out of other assets and into buildings and improvements on the Company's consolidated balance sheets as of December 31, 2017. Such reclassifications had no net effect on previously reported financial results.

Noncontrolling interest includes the 3.4% limited partner interests in the Operating Partnership not held by the Company at both December 31, 2018 and 2017. These percentages include the Operating Partnership's vested long term incentive plan units (see Note 13).

(b) Accounting Pronouncements Adopted in the Current Year

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers." The new standard provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. The new standard requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. The Company adopted ASU 2014-09 as of January 1, 2018, using the modified retrospective approach. See Note 4, Revenues, for further details.

In January 2016, the FASB issued ASU No. 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities", which requires changes to the classification and measurement of investments in certain equity securities and to the presentation of certain fair value changes for financial liabilities measured at fair value. The Company adopted ASU No. 2016-01 as of January 1, 2018 using the modified retrospective method by applying a cumulative effect adjustment to retained earnings and partners' capital of \$2.2 million, representing accumulated net unrealized gains of certain equity securities held by

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

the Company. Furthermore, as a result of the adoption of this standard, the Company will recognize changes in the fair value of equity investments with readily determinable fair values through net income as opposed to comprehensive income.

In August 2016, the FASB issued ASU No. 2016-15 "Classification of Certain Cash Receipts and Cash Payments", which requires entities to adhere to a uniform classification and presentation of certain cash receipts and cash payments in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. The Company adopted ASU No. 2016-15 as of January 1, 2018 using the retrospective transition method. This amendment did not have a material impact on the Company's consolidated results of operations or financial position.

In November 2016, the FASB issued ASU No. 2016-18 "Statement of Cash Flows", which requires entities to include restricted cash and restricted cash equivalents in the reconciliation of beginning-of-period to the end-of-period of cash and cash equivalents in the statement of cash flows. This new standard seeks to eliminate the current diversity in practice in how changes in restricted cash and restricted cash equivalents is presented in the statement of cash flows. The Company adopted ASU No. 2016-18 as of January 1, 2018 using the retrospective transition method. This amendment did not have a material impact on the Company's consolidated results of operations or financial position.

In January 2017, the FASB issued ASU No. 2017-01 "Business Combinations: Clarifying the Definition of a Business", which provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Previously, U.S. GAAP did not specify the minimum inputs and processes required for an integrated set of assets and activities to meet the definition of a business, causing a broad interpretation of the definition of a business. The Company adopted ASU No. 2017-01 as of January 1, 2018 prospectively. The Company expects that substantially all of its acquisitions of communities will qualify as asset acquisitions and transaction costs related to these acquisitions will be capitalized upon adoption.

In February 2017, the FASB issued ASU No. 2017-05 "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets", which adds guidance for partial sales of nonfinancial assets, including partial sales of real estate. Historically, U.S. GAAP contained several different accounting models to evaluate whether the transfer of certain assets qualified for sale treatment. This new standard reduces the number of potential accounting models that might apply and clarifies which model does apply in various circumstances. Partial sales of nonfinancial assets are common in the real estate industry and include transactions in which the seller retains an equity interest in the entity that owns the assets or has an equity interest in the buyer. The Company adopted ASU No. 2017-05 concurrently with the adoption of ASU No. 2014-09 "Revenue from Contracts with Customers" as of January 1, 2018 using the modified retrospective method by applying a cumulative effect adjustment to retained earnings and partners' capital of \$123.7 million representing the partial sale of its membership interest in BEX II, LLC ("BEX II") during the fourth quarter of 2016.

(c) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 "Leases", which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a duration of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases today. For lessors, accounting for leases under the new standard will be substantially the same as

existing guidance for sales-type leases, direct financing leases, and operating leases, but eliminates current real estate specific provisions and changes the treatment of initial direct costs.

The Company expects that its residential and commercial leases, where it is the lessor, will continue to be accounted for as operating leases under the new standard. In July 2018, the FASB issued ASU No. 2018-11 "Leases (Topic 842): Targeted Improvements," which includes a practical expedient that allows lessors to not separate nonlease components from the associated lease component. This provides the Company with the option of not bifurcating certain common area maintenance recoveries as a non-lease component, if certain requirements are met. The Company expects to elect this practical expedient, which would result in minimum rents and expense recoveries being presented as a single rental revenue line item in the consolidated statement of income and comprehensive income.

For leases where the Company is the lessee, which includes various corporate office and ground leases, the Company will be required to recognize a right of use asset and related lease liability on its consolidated balance sheets upon adoption. The

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

Company expects that its corporate office leases, where it is the lessee, will continue to be accounted for as operating leases. The Company also expects to elect a package of practical expedients, under which the Company would not be required to reassess the classification of existing ground leases. The new standards will be effective for the Company beginning January 1, 2019 and early adoption is permitted, including adoption in an interim period. The new standard will be effective for the Company beginning January 1, 2019 and the Company estimates the adoption will result in the recognition of operating lease assets and operating lease liabilities not expected to exceed \$85 million.

In June 2016, the FASB issued ASU No. 2016-13 "Measurement of Credit Losses on Financial Instruments", which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables, available-for-sale securities, and other financial instruments. Generally, this amendment requires entities to establish a valuation allowance for the expected lifetime losses of these certain financial assets. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses are permitted. Currently, U.S. GAAP requires entities to write down credit losses only when losses are probable and loss reversals are not permitted. The new standard will be effective for the Company beginning on January 1, 2020 and early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated results of operations and financial position.

In August 2017, the FASB issued ASU No. 2017-12 "Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities", which, among other things, requires entities to present the earnings effect of hedging instruments in the same income statement line item in which the earnings effect of the hedged item is reported. The new standard also adds new disclosure requirements. This new standard will be effective for the Company beginning January 1, 2019 and early adoption is permitted. The Company expects to apply the new standard on January 1, 2019 and does not expect that this amendment will have a material effect on its consolidated results of operations or financial position.

In August 2018, the FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which eliminates certain disclosure requirements affecting all levels of measurements, and modifies and adds new disclosure requirements for Level 3 measurements. The new standard will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company expects to apply the new standard on January 1, 2020 and does not expect the adoption to have a material impact on the Company's consolidated results of operations or financial position.

(d) Real Estate Rental Properties

Significant expenditures, which improve or extend the life of an asset and have a useful life of greater than one year, are capitalized. Operating real estate assets are stated at cost and consist of land, buildings and improvements, furniture, fixtures and equipment, and other costs incurred during their development, redevelopment and acquisition. Expenditures for maintenance and repairs are charged to expense as incurred.

The depreciable life of various categories of fixed assets is as follows:

Computer software and equipment	3 - 5 years
Interior apartment home improvements	5 years
Furniture, fixtures and equipment	5 - 10 years
Land improvements and certain exterior components of real property	10 years

Real estate structures

30 years

The Company capitalizes all costs incurred with the predevelopment, development or redevelopment of real estate assets or are associated with the construction or expansion of real property. Such capitalized costs include land, land improvements, allocated costs of the Company's project management staff, construction costs, as well as interest and related loan fees, property taxes and insurance. Capitalization begins for predevelopment, development, and redevelopment projects when activity commences. Capitalization ends when the apartment home is completed and the property is available for a new tenant or if the development activities cease.

The Company allocates the purchase price of real estate to land and building including personal property, and identifiable intangible assets, such as the value of above, below and in-place leases. The values of the above and below market leases are

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amortized and recorded as either a decrease (in the case of above market leases) or an increase (in the case of below market leases) to rental revenue over the remaining term of the associated leases acquired. The value of acquired in-place leases are amortized to expense over the average remaining term of the leases acquired. The net carrying value of acquired in-place leases is \$0.1 million and \$0.4 million as of December 31, 2018 and 2017, respectively, and are included in prepaid expenses and other assets on the Company's consolidated balance sheets.

The Company performs the following evaluation for communities acquired:

- (1) adjust the purchase price for any fair value adjustments resulting from such things as assumed debt or contingencies;
- (2) estimate the value of the real estate "as if vacant" as of the acquisition date;
- (3) allocate that value among land and buildings including personal property;
- (4) compute the value of the difference between the "as if vacant" value and the adjusted purchase price, which will represent the total intangible assets;
- (5) compute the value of the above and below market leases and determine the associated life of the above market/below market leases;
- (6) compute the value of the in-place leases and customer relationships, if any, and the associated lives of these assets.

Whenever events or changes in circumstances indicate that the carrying amount of a property held for investment or held for sale may not be fully recoverable, the carrying amount will be evaluated for impairment. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount (including intangible assets) of a property held for investment, then the Company will recognize an impairment loss equal to the excess of the carrying amount over the fair value of the property. Fair value of a property is determined using conventional real estate valuation methods, such as discounted cash flow, the property's unleveraged yield in comparison to the unleveraged yields and sales prices of similar communities that have been recently sold, and other third party information, if available. Communities held for sale are carried at the lower of cost and fair value less estimated costs to sell. As of both December 31, 2018 and 2017, no properties were classified as held for sale. No impairment charges were recorded for the years ended December 31, 2018, 2017 or 2016.

In the normal course of business, the Company will receive purchase offers for its communities, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually require a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. The Company classifies real estate as "held for sale" when all criteria under the accounting standard for the disposals of long-lived assets have been met.

(e) Co-investments

The Company owns investments in joint ventures in which it has significant influence, but its ownership interest does not meet the criteria for consolidation in accordance with U.S. GAAP. Therefore, the Company accounts for co-investments using the equity method of accounting. Under the equity method of accounting, the investment is carried at the cost of assets contributed, plus the Company's equity in earnings less distributions received and the Company's share of losses. The significant accounting policies of the Company's co-investment entities are consistent with those of the Company in all material respects.

Upon the acquisition of a controlling interest of a co-investment, the co-investment entity is consolidated and a gain or loss is recognized upon the remeasurement of co-investments in the consolidated statement of income equal to the amount by which the fair value of the co-investment interest in the Company previously owned exceeds its carrying value. A majority of the co-investments, excluding the preferred equity investments, compensate the Company for its asset management services and some of these investments may provide promote income if certain financial return benchmarks are achieved. Asset management fees are recognized when earned, and promote fees are recognized when the earnings events have occurred and the amount is determinable and collectible. Any promote fees are reflected in equity income from co-investments.

The Company reports investments in co-investments where accumulated distributions have exceeded the Company's investment as distributions in excess of investments in co-investments in the accompanying consolidated balance sheets. As of December 31, 2017, the net investment of one of the Company's co-investments was less than zero as a result of financing distributions in excess of the Company's investment in that co-investment. As a result of the Company's adoption of ASU No. 2017-05 on January 1, 2018, the carrying value of this co-investment was greater than zero as of December 31, 2018.

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(f) Revenues and Gains on Sale of Real Estate

Revenues from tenants renting or leasing apartment homes are recorded when due from tenants and are recognized monthly as they are earned, which is not materially different than on a straight-line basis. Apartment homes are rented under short-term leases (generally, lease terms of 6 to 12 months). Revenues from tenants leasing commercial space are recorded on a straight-line basis over the life of the respective lease.

Subsequent to the adoption of ASU 610-20 on January 1, 2018, the Company recognizes any gains on sales of real estate when we transfer control of a property and when it is probable that we will collect substantially all of the related consideration.

(g) Cash, Cash Equivalents and Restricted Cash

Highly liquid investments with original maturities of three months or less when purchased are classified as cash equivalents. Restricted cash balances relate primarily to reserve requirements for capital replacement at certain communities in connection with the Company's mortgage debt.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows (\$ in thousands):

	2018	2017	2016
Cash and cash equivalents - unrestricted	\$134,465	\$44,620	\$64,921
Cash and cash equivalents - restricted	16,930	16,506	105,381
Total unrestricted and restricted cash and cash equivalents shown in the consolidated statements of cash flows	\$151,395	\$61,126	\$170,302

(h) Marketable Securities

The Company reports its equity securities and available for sale debt securities at fair value, based on quoted market prices (Level 1 for the common stock and investment funds, Level 2 for the unsecured bonds and Level 3 for investments in mortgage backed securities, as defined by the FASB standard for fair value measurements as discussed later in Note 2). Any unrealized gain or loss in debt securities classified as available for sale is recorded as other comprehensive income. There were no other than temporary impairment charges for the years ended December 31, 2018, 2017, and 2016. Unrealized gains and losses in equity securities, realized gains and losses in debt securities, interest income, and amortization of purchase discounts are included in interest and other income on the consolidated statements of income and comprehensive income.

As of December 31, 2018 and 2017, equity securities and available for sale debt securities consisted primarily of investment-grade unsecured bonds, common stock and stock funds, investments in mortgage backed securities, and investment funds that invest in U.S. treasury or agency securities. As of December 31, 2018 and 2017, the Company classified its investments in mortgage backed securities, which mature in November 2019 and September 2020, as held to maturity, and accordingly, these securities are stated at their amortized cost. The discount on the mortgage backed securities is being amortized to interest income based on an estimated yield and the maturity date of the securities.

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As of December 31, 2018 and 2017 marketable securities consist of the following (\$ in thousands):

	December 31, 2018		
	Amortized Cost	Gross Unrealized Loss	Carrying Value
Equity securities:			
Investment funds - debt securities	\$31,934	\$ (568)	\$31,366
Investment funds - U.S. treasuries	8,983	(31)	8,952
Common stock and stock funds	39,731	(1,671)	38,060
Debt securities:			
Available for sale			
Investment-grade unsecured bonds	4,125	(145)	3,980
Held to maturity:			
Mortgage backed securities	127,187	—	127,187
Total - Marketable securities	\$211,960	\$ (2,415)	\$209,545

	December 31, 2017		
	Amortized Cost	Gross Unrealized Gain (Loss)	Carrying Value
Equity securities:			
Investment funds - debt securities	\$27,914	\$ (29)	\$27,885
Investment funds - U.S. treasuries	10,999	(55)	10,944
Common stock and stock funds	34,329	2,973	37,302
Debt securities:			
Available for sale			
Investment-grade unsecured bonds	4,365	(40)	4,325
Held to maturity:			
Mortgage backed securities	109,548	—	109,548
Total - Marketable securities	\$187,155	\$ 2,849	\$190,004

The Company uses the specific identification method to determine the cost basis of a debt security sold and to reclassify amounts from accumulated other comprehensive loss for such securities.

For the years ended December 31, 2018, 2017 and 2016, the proceeds from sales and maturities of marketable securities totaled \$31.5 million, \$35.5 million and \$30.5 million, respectively. For the years ended December 31, 2018, 2017 and 2016 these sales resulted in gains of \$0.7 million, \$1.9 million, and \$5.7 million, respectively.

For the year ended December 31, 2018, the portion of equity security unrealized loss that was recognized in income totaled \$5.2 million, and was included in interest and other income on the Company's consolidated statements of

income and comprehensive income.

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(i) Notes Receivable

Notes receivable relate to real estate financing arrangements including mezzanine and bridge loans and are secured by real estate. Interest is recognized over the life of the note as interest income.

Each note is analyzed to determine if it is impaired. A note is impaired if it is probable that the Company will not collect all contractually due principal and interest. The Company does not accrue interest when a note is considered impaired and an allowance is recorded for any principal and previously accrued interest that are not believed to be collectible. All cash receipts on impaired notes are applied to reduce the principal amount of such notes until the principal has been recovered and, thereafter, are recognized as interest income. As of December 31, 2018 and 2017, no notes were impaired.

(j) Capitalization Policy

The Company capitalizes all direct and certain indirect costs, including interest, real estate taxes and insurance, incurred during development and redevelopment activities. Interest is capitalized on real estate assets that require a period of time to get them ready for their intended use. The amount of interest capitalized is based upon the average amount of accumulated development expenditures during the reporting period. Included in capitalized costs are management's estimates of the direct and incremental personnel costs and indirect project costs associated with the Company's development and redevelopment activities. Indirect project costs consist primarily of personnel costs associated with construction administration and development, including accounting, legal fees, and various corporate and community onsite costs that clearly relate to projects under development. Those costs as well as capitalized development and redevelopment fees totaled \$18.6 million, \$18.8 million and \$16.4 million for the years ended December 31, 2018, 2017 and 2016, respectively, most of which relates to development projects. The Company capitalizes leasing costs associated with the lease-up of development communities and amortizes the costs over the life of the leases. The amounts capitalized are immaterial for all periods presented.

(k) Fair Value of Financial Instruments

The Company values its financial instruments based on the fair value hierarchy of valuation techniques described in the FASB's accounting standard for fair value measurements. Level 1 inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability. The Company uses Level 1 inputs for the fair values of its cash equivalents and its marketable securities except for unsecured bonds and mortgage backed securities. The Company uses Level 2 inputs for its investments in unsecured bonds, notes receivable, notes payable, and derivative assets/liabilities. These inputs include interest rates for similar financial instruments. The Company's valuation methodology for derivatives is described in Note 9. The Company uses Level 3 inputs to estimate the fair value of its mortgage backed securities. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Management believes that the carrying amounts of the outstanding balances under its lines of credit, and notes and other receivables approximate fair value as of December 31, 2018 and 2017, because interest rates, yields and other terms for these instruments are consistent with yields and other terms currently available for similar instruments.

Management has estimated that the fair value of fixed rate debt with a carrying value of \$5.0 billion and \$4.9 billion at December 31, 2018 and 2017, respectively, to be \$5.0 billion at both December 31, 2018 and 2017. Management has estimated the fair value of the Company's \$619.6 million and \$799.2 million of variable rate debt at December 31, 2018 and 2017, respectively, to be \$615.2 million and \$793.9 million based on the terms of existing mortgage notes payable, unsecured debt, and variable rate demand notes compared to those available in the marketplace. Management believes that the carrying amounts of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, construction payables, other liabilities and dividends payable approximate fair value as of December 31, 2018 and 2017 due to the short-term maturity of these instruments. Marketable securities, except mortgage backed securities, and derivatives are carried at fair value as of December 31, 2018 and 2017.

At December 31, 2018 and 2017, the Company's investments in mortgage backed securities had a carrying value of \$127.2 million and \$109.5 million, respectively. The Company estimated the fair value of investment in mortgage backed securities at December 31, 2018 and 2017 to be approximately \$129.5 million and \$120.7 million, respectively. The Company determines the fair value of the mortgage backed securities based on unobservable inputs (Level 3 of the fair value hierarchy) considering

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the assumptions that market participants would make in valuing these securities. Assumptions such as estimated default rates and discount rates are used to determine expected, discounted cash flows to estimate the fair value.

(l) Interest Rate Protection, Swap, and Forward Contracts

The Company uses interest rate swaps, interest rate caps, and total return swap contracts to manage interest rate risks. The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps and interest rate caps as part of its cash flow hedging strategy.

The Company records all derivatives on its consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated for accounting purposes as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated for accounting purposes as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the initial and ongoing effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction.

For derivatives not designated for accounting purposes as cash flow hedges, changes in fair value are recognized in earnings. All of the Company's interest rate swaps are considered cash flow hedges.

(m) Income Taxes

Generally in any year in which Essex qualifies as a real estate investment trust ("REIT") under the Internal Revenue Code (the "IRC"), it is not subject to federal income tax on that portion of its income that it distributes to stockholders. No provision for federal income taxes, other than the taxable REIT subsidiaries discussed below, has been made in the accompanying consolidated financial statements for each of the years in the three-year period ended December 31, 2018 as Essex has elected to be and believes it qualifies under the IRC as a REIT and has made distributions during the periods in amounts to preclude Essex from paying federal income tax.

In order to maintain compliance with REIT tax rules, the Company utilizes taxable REIT subsidiaries for various revenue generating or investment activities. The taxable REIT subsidiaries are consolidated by the Company. In general, the activities and tax related provisions, assets and liabilities are not material. In 2016, a taxable REIT subsidiary sold two properties that it had acquired in 2007, resulting in the Company's recognition of a deferred income tax expense of approximately \$4.4 million. On December 22, 2017 the Tax Cuts and Jobs Act ("Tax Act") was signed into law, which reduced the federal income tax rate from 35% to 21% effective January 1, 2018. As a result of the Tax Act, the Company remeasured its net deferred tax liabilities at December 31, 2017, accordingly a net tax

benefit of \$1.5 million was recorded.

As a partnership, the Operating Partnership is not subject to federal or state income taxes, except that in order to maintain Essex's compliance with REIT tax rules that are applicable to Essex, the Operating Partnership utilizes taxable REIT subsidiaries for various revenue generating or investment activities. The taxable REIT subsidiaries are consolidated by the Operating Partnership.

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The status of cash dividends distributed for the years ended December 31, 2018, 2017, and 2016 related to common stock and Series H preferred stock are classified for tax purposes as follows:

	2018	2017	2016
Common Stock			
Ordinary income	79.72 %	84.04 %	86.68 %
Capital gain	15.35 %	13.20 %	7.11 %
Unrecaptured section 1250 capital gain	4.93 %	2.76 %	6.21 %
	100.00 %	100.00 %	100.00 %

	2018	2017	2016
Series H Preferred stock			
Ordinary income	%	%	86.68 %
Capital gains	%	%	7.11 %
Unrecaptured section 1250 capital gain	%	%	6.21 %
	%	%	100.00 %

(n) Equity-based Compensation

The cost of share and unit based compensation awards is measured at the grant date based on the estimated fair value of the awards. The estimated fair value of stock options and restricted stock granted by the Company are being amortized over the vesting period. The estimated grant date fair values of the long term incentive plan units (discussed in Note 13) are being amortized over the expected service periods.

(o) Changes in Accumulated Other Comprehensive Loss, by Component

Changes in Accumulated Other Comprehensive Loss, Net, by Component
 Essex Property Trust, Inc. (\$ in thousands)

	Change in fair value and amortization of swap settlements	Unrealized gain (loss) on available for sale securities	Total
Balance at December 31, 2017	\$ (20,641)	\$ 2,195	\$(18,446)
Cumulative effect upon adoption of ASU No. 2016-01	—	(2,234)	(2,234)
Other comprehensive income (loss) before reclassification	15,343	(114)	15,229
Amounts reclassified from accumulated other comprehensive loss	(7,779)	13	(7,766)
Other comprehensive income	7,564	(2,335)	5,229
Balance at December 31, 2018	\$ (13,077)	\$ (140)	\$(13,217)

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Changes in Accumulated Other Comprehensive Loss, by Component
 Essex Portfolio, L.P. (\$ in thousands)

	Change in fair value and amortization of swap settlements	Unrealized gain (loss) on available for sale securities	Total
Balance at December 31, 2017	\$ (17,417)	\$ 2,188	\$(15,229)
Cumulative effect upon adoption of ASU No. 2016-01	—	(2,228)	(2,228)
Other comprehensive income (loss) before reclassification	15,871	(118)	15,753
Amounts reclassified from accumulated other comprehensive loss	(8,047)	13	(8,034)
Other comprehensive income	7,824	(2,333)	5,491
Balance at December 31, 2018	\$ (9,593)	\$ (145)	\$(9,738)

Amounts reclassified from accumulated other comprehensive loss in connection with derivatives are recorded in interest expense on the consolidated statements of income. Realized gains and losses on available for sale debt securities are included in interest and other income on the consolidated statements of income and comprehensive income.

(p) Redeemable Noncontrolling Interest

The carrying value of redeemable noncontrolling interest in the accompanying balance sheets was \$35.5 million and \$39.2 million as of December 31, 2018 and 2017, respectively. The limited partners may redeem their noncontrolling interests for cash in certain circumstances.

The changes in the redemption value of redeemable noncontrolling interests for the years ended December 31, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
Balance at January 1,	\$39,206	\$44,684	\$45,452
Reclassifications due to change in redemption value and other	1,164	65	(768)
Redemptions	(4,895)	(5,543)	—
Balance at December 31,	\$35,475	\$39,206	\$44,684

(q) Accounting Estimates

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate portfolio, its investments in and advances to joint ventures and affiliates, and its notes receivable. The Company bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could be different under different

assumptions or conditions.

(r) Variable Interest Entities

In accordance with accounting standards for consolidation of VIEs, the Company consolidates the Operating Partnership and 16 DownREIT limited partnerships (comprising eight communities), and eight co-investments as of December 31, 2018. The Company consolidates these entities because it is deemed the primary beneficiary. The Company has no assets or liabilities other than its investment in the Operating Partnership. The consolidated total assets and liabilities related to the eight consolidated co-investments and 16 DownREIT limited partnerships, net of intercompany eliminations, were approximately \$849.8 million and \$261.7 million, respectively, as of December 31, 2018, and \$837.7 million and \$265.5 million, respectively,

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as of December 31, 2017. Noncontrolling interests in these entities were \$64.5 million and \$66.7 million as of December 31, 2018 and 2017, respectively. The Company's financial risk in each VIE is limited to its equity investment in the VIE.

The DownREIT VIEs collectively own eight apartment communities in which Essex Management Company ("EMC") is the general partner, the Operating Partnership is a special limited partner, and the other limited partners were granted rights of redemption for their interests. Such limited partners can request to be redeemed and the Company, subject to certain restrictions, can elect to redeem their rights for cash or by issuing shares of its common stock on a one share per unit basis. Conversion values will be based on the market value of the Company's common stock at the time of redemption multiplied by the number of units stipulated under various arrangements, as noted above. The other limited partners receive distributions based on the Company's current dividend rate times the number of units held. Total DownREIT limited partnership units outstanding were 912,269 and 917,593 as of December 31, 2018 and 2017 respectively, and the redemption value of the units, based on the closing price of the Company's common stock totaled approximately \$223.7 million and \$221.5 million, as of December 31, 2018 and 2017, respectively. The carrying value of redeemable noncontrolling interest in the accompanying balance sheets was \$35.5 million and \$39.2 million as of December 31, 2018 and 2017, respectively. Of these amounts, \$14.5 million and \$13.6 million as of December 31, 2018 and 2017, respectively, represent units of limited partners' interests in DownREIT VIEs as to which it is outside of the Company's control to redeem the DownREIT limited partnership units with Company common stock and may potentially be redeemed for cash, and are presented at either their redemption value or historical cost, depending on the limited partner's right to redeem their units as of the balance sheet date. The carrying value of DownREIT limited partnership units as to which it is within the control of the Company to redeem the units with its common stock was \$32.4 million as of both December 31, 2018 and 2017, and is classified within noncontrolling interests in the accompanying consolidated balance sheets.

Interest holders in VIEs consolidated by the Company are allocated a priority of net income equal to the cash payments made to those interest holders or distributions from cash flow. The remaining results of operations are generally allocated to the Company.

As of December 31, 2018 and 2017, the Company did not have any other VIEs of which it was deemed to be the primary beneficiary and did not have any VIEs of which it was not deemed to be the primary beneficiary.

(s) Discontinued Operations

The Company determined that the disposals during the years ended December 31, 2018, 2017 and 2016 were not considered discontinued operations in accordance with ASU 2014-08. The gains related to these disposals are recorded in gain on sale of real estate and land in the consolidated statements of income.

(3) Real Estate Investments

(a) Acquisitions of Real Estate

For the year ended December 31, 2018, the Company purchased a partial interest in one community consisting of 166 apartment homes for \$35.4 million. The table below summarizes acquisition activity for the year ended December 31, 2018 (\$ in millions):

Property Name	Location	Apartment Homes	Essex Ownership Percentage	Quarter in 2018	Purchase Price
Marquis ⁽¹⁾	San Jose, CA	166	100 %	Q4	\$ 35.4
Total 2018		166			\$ 35.4

In December 2018, the Company purchased the joint venture partner's 49.9% membership interest in the Marquis co-investment. As part of the acquisition, the Company paid \$4.7 million in cash and issued Operating Partnership units valued at \$7.9 million, based on an estimated property valuation of \$71.0 million and an encumbrance of \$45.8 million of mortgage debt.

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The consolidated fair value of the acquisition listed above was included on the Company's consolidated balance sheet as follows: \$20.5 million was included in land and land improvements, \$47.8 million was included in buildings and improvements, and \$2.7 million was included in prepaid expenses and other assets and liabilities, within the Company's consolidated balance sheets.

For the year ended December 31, 2017, the Company purchased two communities consisting of 1,328 apartment homes for \$273.0 million.

(b) Sales of Real Estate Investments

For the year ended December 31, 2018, the Company sold two communities consisting of 669 apartment homes for \$352.0 million resulting in gains totaling \$61.9 million. The table below summarizes disposition activity of operating communities for the year ended December 31, 2018 (\$ in millions):

Property Name	Location	Apartment Homes	Essex Ownership Percentage	Ownership	Quarter in 2018	Sales Price	Gains
Domain	San Diego, CA	379	100 %	EPLP	Q2	\$132.0	\$22.3
8th & Hope	Los Angeles, CA	290	100 %	EPLP	Q4	220.0	39.6
Total 2018		669				\$352.0	\$61.9

During 2017, the Company sold one community consisting of 270 apartment homes for \$132.5 million resulting in a gain of \$26.2 million, which is included in the line item gain on sale of real estate and land in the Company's consolidated statement of income.

During 2016, the Company sold three communities, consisting of 323 apartment homes, for \$80.8 million resulting in gains totaling \$14.0 million, net of \$4.4 million deferred tax on gain on sale of real estate.

In January 2016, the Company sold its former headquarters office building, located in Palo Alto, CA, for gross proceeds of \$18.0 million, resulting in a gain of \$9.6 million, which is included in the line item gain on sale of real estate and land in the Company's consolidated statement of income.

(c) Real Estate Assets Held for Sale, net

As of December 31, 2018 and 2017, the Company had no assets classified as held for sale.

(d) Co-investments

The Company has joint ventures which are accounted for under the equity method. The co-investments' accounting policies are similar to the Company's accounting policies. The co-investments own, operate, and develop apartment communities.

In March 2018, the BEXAEW joint venture operating agreement was amended, and the joint venture was extended. Under the amendment, the Company received a cash payment for co-investment promote income of \$20.5 million, which is included in equity income from co-investments on the consolidated statements of income and comprehensive

income.

In October 2018, Wesco V acquired Meridian at Midtown, a 218 apartment home community located in San Jose, CA, for a total contract price of \$104.0 million. In connection with this acquisition, Wesco V assumed \$69.9 million of mortgage debt, with an effective interest rate of 4.50% and a maturity date of March 2026. The Company previously had a preferred equity investment in this apartment home community, which was fully redeemed in August 2015.

In November 2018, BEXAEW sold Enclave at Town Square, a 124 apartment home community located in Chino Hills, CA, for \$30.5 million, which resulted in a gain of \$5.4 million for the Company, recorded in the consolidated statement of income as equity income from co-investments. BEXAEW used \$16.1 million of the proceeds to repay the loan on the property.

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In November 2018, Wesco III sold The Summit, a 125 apartment home community located in Chino Hills, CA, for \$34.8 million, which resulted in a gain of \$5.2 million for the Company, recorded in the consolidated statement of income as equity income from co-investments. Wesco III used \$15.6 million of the proceeds to repay the loan on the property.

In December 2018, the Company purchased its joint venture partner's 49.9% interest in the Marquis co-investment, for a contract price of \$35.4 million. Prior to the purchase, an approximately \$45.8 million mortgage encumbered the property. Marquis has 166 apartment homes and is located in San Jose, CA. As a result of this acquisition, the Company realized a gain on remeasurement of co-investment of \$1.3 million upon consolidation.

The carrying values of the Company's co-investments as of December 31, 2018 and 2017 are as follows (\$ in thousands, except in parenthetical):

	Weighted Average Essex Ownership Percentage ⁽¹⁾	December 31, 2018	2017
Ownership interest in:			
CPPIB	54 %	\$482,507	\$500,287
Wesco I, Wesco III, Wesco IV, and Wesco V	52 %	194,890	214,408
BEXAEW, BEX II and BEX III ⁽²⁾	50 %	121,780	13,827
Other	51 %	34,093	51,810
Total operating and other co-investments, net		833,270	780,332
Total pre-development and development co-investments	50 %	94,060	73,770
Total preferred interest co-investments (includes related party investments of \$51.8 million and \$15.7 million as of December 31, 2018 and December 31, 2017, respectively - FN 6 - Related Party Transactions for further discussion)		372,810	265,156
Total co-investments, net		\$1,300,140	\$1,119,258

⁽¹⁾ Weighted average Essex ownership percentages are as of December 31, 2018.

⁽²⁾ As of December 31, 2017, the Company's investment in BEX II was classified as a liability of \$36.7 million.

The combined summarized financial information of co-investments is as follows (\$ in thousands):

	December 31,	
	2018	2017
Combined balance sheets: ⁽¹⁾		
Rental properties and real estate under development	\$4,367,987	\$3,722,778
Other assets	104,119	110,333
Total assets	\$4,472,106	\$3,833,111
Debt	\$2,190,764	\$1,705,051
Other liabilities	106,316	45,515
Equity	2,175,026	2,082,545
Total liabilities and equity	\$4,472,106	\$3,833,111
Company's share of equity	\$1,300,140	\$1,155,984

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	Years ended		
	December 31,		
	2018	2017	2016
Combined statements of income: ⁽¹⁾			
Property revenues	\$332,164	\$312,841	\$289,011
Property operating expenses	(107,584)	(110,583)	(99,637)
Net operating income	224,580	202,258	189,374
Gain on sale of real estate	24,218	90,663	28,291
Interest expense	(63,913)	(62,844)	(46,894)
General and administrative	(6,379)	(9,091)	(7,448)
Depreciation and amortization	(126,485)	(118,048)	(103,986)
Net income	\$52,021	\$102,938	\$59,337
Company's share of net income ⁽²⁾	\$89,132	\$86,445	\$48,698

⁽¹⁾ Includes preferred equity investments held by the Company.

Includes the Company's share of equity income from joint ventures and preferred equity investments, gain on sales ⁽²⁾ of co-investments, co-investment promote income and income from early redemption of preferred equity investments. Includes related party income of \$2.0 million, \$1.9 million, and \$3.4 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Operating Co-investments

As of December 31, 2018 and 2017, the Company, through several joint ventures, owned 10,613 and 10,810 apartment homes, respectively, in operating communities. The Company's book value of these co-investments was \$833.3 million and \$780.3 million at December 31, 2018 and 2017, respectively.

Pre-Development and Development Co-investments

As of both December 31, 2018 and 2017, the Company, through several joint ventures, owned 814 apartment homes in pre-development and development communities. The Company's book value of these co-investments was \$94.1 million and \$73.8 million at December 31, 2018 and 2017, respectively.

In 2017, the Company entered into a joint venture to develop Ohlone, a multifamily community comprised of 269 apartment homes located in San Jose, CA. The Company has a 50% ownership interest in the development which has a projected total cost of \$136.0 million. Construction began in the third quarter of 2017 and the community is expected to open in the fourth quarter of 2019. The Company has also committed to a \$28.9 million preferred equity investment in the project, which accrues an annualized preferred return of 10.0% and matures in 2020.

In 2015, the Company entered into a joint venture to develop 500 Folsom, a multifamily community comprised of 545 apartment homes located in San Francisco, CA. The Company has a 50% ownership interest in the development which has a projected total cost of \$415.0 million. Construction began in the fourth quarter of 2015 and the property is projected to open in the third quarter of 2019.

Preferred Equity Investments

As of December 31, 2018 and 2017, the Company held preferred equity investment interests in several joint ventures which own real estate. The Company's book value of these preferred equity investments was \$372.8 million and \$265.2 million at December 31, 2018 and 2017, respectively, and is included in the co-investments line in the accompanying consolidated balance sheets.

During 2018, the Company made commitments to fund \$45.1 million preferred equity investment in two preferred equity investments, in which the sponsors include a related party. See Note 6, Related Party Transactions, for additional details. The investments have initial returns ranging from 10.25%-12.0%, with maturities ranging from May 2023 to April 2024. As of

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December 31, 2018, the Company had funded \$39.6 million of the \$45.1 million commitment. The remaining committed amount will be funded if and when requested by the sponsors.

During 2017, the Company made commitments to fund \$153.8 million in eight preferred equity investments. These investments have initial accrued preferred returns ranging from 9.5%-11.3%, with maturities ranging from March 2020 to August 2024. As of December 31, 2018, the Company had funded \$151.8 million of the \$153.8 million commitment.

In January 2018, the Company received cash of \$2.4 million for the full redemption of a preferred equity investment in a co-investment that holds property in Seattle, WA.

In June 2018, the Company received cash of \$26.5 million for the full redemption of a preferred equity investment in an entity that holds property in Seattle, WA. The Company recognized a gain of \$1.6 million as a result of this early redemption, which is included in equity income from co-investments in the consolidated statements of income and comprehensive income.

In October 2018, the Company received cash of \$5.0 million for the full redemption of a related party preferred equity investment in a co-investment that holds property in Los Angeles, CA.

(e) Real Estate under Development

The Company defines development projects as new communities that are being constructed, or are newly constructed and are in a phase of lease-up and have not yet reached stabilized operations. As of December 31, 2018, the Company's development pipeline was comprised of four consolidated projects under development, two unconsolidated joint venture projects under development and various predevelopment projects, aggregating 1,861 apartment homes, with total incurred costs of \$0.8 billion.

(4) Revenues

On January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers" using a modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods after January 1, 2018 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported in accordance with the old revenue recognition standard.

Based on a full analysis of applicable contracts, the Company determined that the new standard did not have an impact to reported revenues from prior or current periods.

Revenue Recognition

Revenue from Leasing

The Company generates revenues primarily from leasing apartment homes to tenants. Such leasing revenues are recorded when due from tenants and are recognized monthly as they are earned, which is not materially different than on a straight-line basis. Apartment homes are rented under short-term leases (generally, lease terms of 6 to 12

months). Revenues from tenants leasing commercial space are recorded on a straight-line basis over the life of the respective lease.

The Company also generates other property-related revenue associated with the leasing of apartment homes, including storage income, pet rent, and other miscellaneous revenue. Similar to rental income, such revenues are recorded when due from tenants and recognized monthly as they are earned.

Revenue from Contracts with Customers

Apart from rental and other property-related revenue, revenues from contracts with customers are recognized as control of the promised services is passed to the customer.

For customer contracts related to management and other fees from affiliates (which includes asset management and property management), the transaction price and amount of revenue to be recognized is determined each quarter based on the

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management fee calculated and earned for that month or quarter. The contract will contain a description of the service and the fee percentage for management services. Payments from such services are one month or one quarter in arrears of the service performed.

Disaggregated Revenue

The following table presents the Company's revenues disaggregated by revenue source (\$ in thousands):

	2018	2017	2016
Rental	\$1,296,435	\$1,263,476	\$1,201,995
Other property leasing revenue	94,435	90,849	83,728
Management and other fees from affiliates	9,183	9,574	8,278
Total revenues	\$1,400,053	\$1,363,899	\$1,294,001

The following table presents the Company's rental and other property-leasing revenues disaggregated by geographic operating segment (\$ in thousands):

	2018	2017	2016
Southern California	\$592,281	\$574,552	\$540,000
Northern California	522,561	505,313	453,140
Seattle Metro	236,525	229,871	217,259
Other real estate assets ⁽¹⁾	39,503	44,589	75,324
Total rental and other property leasing revenues	\$1,390,870	\$1,354,325	\$1,285,723

(1) Other real estate assets consists of revenue generated from retail space, commercial properties, held for sale properties, and disposition properties. Executive management does not evaluate such operating performance geographically.

The following table presents the Company's rental and other property-leasing revenues disaggregated by current property category status (\$ in thousands):

	2018	2017	2016
Same-property ⁽¹⁾	\$1,279,640	\$1,244,743	\$1,185,685
Acquisitions ⁽²⁾	42,481	39,289	—
Development ⁽³⁾	2,713	—	—
Redevelopment	20,345	19,641	18,737
Non-residential/other, net ⁽⁴⁾	45,691	50,652	81,301
Total rental and other property leasing revenues	\$1,390,870	\$1,354,325	\$1,285,723

(1) Stabilized properties consolidated by the Company for the years ended December 31, 2018, 2017 and 2016.

(2) Acquisitions includes properties acquired which did not have comparable stabilized results as of January 1, 2017.

(3) Development includes properties developed which did not have stabilized results as of January 1, 2017.

(4) Non-residential/other, net consists of revenue generated from retail space, commercial properties, held for sale properties, disposition properties and student housing.

Deferred Revenues and Remaining Performance Obligations

When cash payments are received or due in advance of the Company's performance of contracts with customers, deferred revenue is recorded. The total deferred revenue balance related to such contracts was \$6.2 million and \$9.3 million as of December 31, 2018 and December 31, 2017, respectively, and was included in accounts payable and accrued liabilities within the accompanying consolidated balance sheets. The amount of revenue recognized for the year ended December 31, 2018 that was included in the December 31, 2017 deferred revenue balance was \$3.1 million, which was included in interest and other income within the consolidated statements of income and comprehensive income.

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A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition accounting standard. As of December 31, 2018, the Company had \$6.2 million of remaining performance obligations. The Company expects to recognize approximately 37% of these remaining performance obligations in 2019, an additional 24% through 2021, and the remaining balance thereafter.

Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less or when variable consideration is allocated entirely to a wholly unsatisfied performance obligation.

(5) Notes and Other Receivables

Notes and loan investment receivables, secured by real estate, and other receivables consist of the following as of December 31, 2018 and 2017 (\$ in thousands):

	2018	2017
Notes receivable, secured, bearing interest at 10.00%, due May 2021	15,226	13,762
Note receivable, secured, bearing interest at 10.75%, due September 2020	32,650	29,318
Related party note receivable, secured, bearing interest at 9.50%, due October 2019 ⁽¹⁾	6,618	6,656
Related party note receivable, secured, bearing interest at 3.50%, due March 2018 ⁽¹⁾	—	29,500
Notes and other receivables from affiliates ⁽²⁾	4,457	5,061
Other receivables	12,944	16,629
Total notes and receivables	\$ 71,895	\$ 100,926

⁽¹⁾ See Note 6, Related Party Transactions, for additional details.

⁽²⁾ These amounts consist of short-term loans outstanding and due from various joint ventures as of December 31, 2018 and 2017, respectively. See Note 6, Related Party Transactions, for additional details.

In November 2018, the Company made a commitment to fund a \$12.5 million mezzanine loan in a multifamily community located in Vista, CA, with a 9.9% interest rate and an initial maturity date of November 2021, with options to extend for up to two years. As of December 31, 2018, the Company had not funded any of this commitment.

(6) Related Party Transactions

The Company has adopted written related party transaction guidelines that are intended to cover transactions in which the Company (including entities it controls) is a party and in which any "related person" has a direct or indirect interest. A "related person" means any person who is or was (since the beginning of the last fiscal year) a Company director, director nominee, or executive officer, any beneficial owner of more than 5% of the Company's outstanding common stock, and any immediate family member of any of the foregoing persons. A related person may be considered to have an indirect interest in a transaction if he or she (i) is an owner, director, officer or employee of or otherwise associated with another company that is engaging in a transaction with the Company, or (ii) otherwise, through one or more entities or arrangements, has an indirect financial interest in or personal benefit from the transaction.

The related person transaction review and approval process is intended to determine, among any other relevant issues, the dollar amount involved in the transaction; the nature and value of any related person's direct or indirect interest (if any) in the transaction; and whether or not (i) a related person's interest is material, (ii) the transaction is fair, reasonable, and serves the best interest of the Company and its shareholders, and (iii) whether the transaction or relationship should be entered into, continued or ended.

The Company's Chairman and founder, Mr. George Marcus, is the Chairman of the Marcus & Millichap Company ("MMC"), which is a parent company of a diversified group of real estate service, investment, and development firms. Mr. Marcus is also the Co-Chairman of Marcus & Millichap, Inc. ("MMI"), and Mr. Marcus owns a controlling interest in MMI. MMI is a national brokerage firm listed on the NYSE that underwent its initial public offering in 2013. For the year ended December 31, 2016, the

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Company paid brokerage commissions totaling \$1.1 million to affiliates of MMC related to real estate transactions. There were no brokerage commissions paid by the Company to MMI or its affiliates during 2018 and 2017.

The Company charges certain fees relating to its co-investments for asset management, property management, development and redevelopment services. These fees from affiliates total \$13.9 million, \$12.6 million, and \$12.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. All of these fees are net of intercompany amounts eliminated by the Company. The Company netted development and redevelopment fees of \$4.8 million, \$3.0 million, and \$4.2 million against general and administrative expenses for the years ended December 31, 2018, 2017 and 2016, respectively.

As described in Note 5, Notes and Other Receivables, the Company has provided short-term loans to affiliates. As of December 31, 2018 and 2017, \$4.5 million and \$5.1 million, respectively, of short-term loans remained outstanding due from joint venture affiliates and are classified within notes and other receivables in the accompanying consolidated balance sheets. In November 2016, the Company provided a \$6.6 million mezzanine loan to a limited liability company in which MMC holds a significant ownership interest through subsidiaries. The mezzanine loan had an outstanding balance of \$6.6 million and \$6.7 million, as of December 31, 2018 and 2017, respectively, and is classified within notes and other receivables in the accompanying consolidated balance sheets.

In October 2018, the Company funded a \$18.6 million preferred equity investment in an entity whose sponsor is an affiliate of MMC. The entity wholly owns a 268 apartment home community development located in Burlingame, CA. This investment will accrue interest based on an initial 12.00% preferred return. The investment is scheduled to mature in April 2024.

In May 2018, the Company made a commitment to fund a \$26.5 million preferred equity investment in an entity whose sponsors include an affiliate of MMC. The entity wholly owns a 400 apartment home community located in Ventura, CA. This investment will accrue interest based on a 10.25% preferred return. The investment is scheduled to mature in May 2023. As of December 31, 2018, the Company had funded \$21.0 million of the commitment. The remaining committed amount will be funded if and when requested by the sponsors.

In November 2017, the Company provided a \$29.5 million related party bridge loan to a property acquired by BEX III. The note receivable accrued interest at 3.5% and was paid off in January 2018. The bridge loan was classified within notes and other receivables in the accompanying consolidated balance sheets and had no amount outstanding as of December 31, 2018.

In August 2017, the Company provided a \$55.0 million related party bridge loan to a property acquired by Wesco V. The note receivable accrued interest at 3.5% and was paid off in November 2017.

In March 2017, the Company converted its existing \$15.3 million preferred equity investment in Sage at Cupertino, a 230 apartment home community located in San Jose, CA, into a 40.5% common equity ownership interest in the property. The Company issued DownREIT limited partnership units to the other members, including an MMC affiliate, based on an estimated property valuation of \$90.0 million. At the time of the conversion, the property was encumbered by \$52.0 million of mortgage debt. As a result of this transaction, the Company consolidates the property, based on a consolidation analysis performed by the Company.

In 2015, the Company made preferred equity investments totaling \$20.0 million in three entities affiliated with MMC that own apartment communities in California. The Company earns a 9.5% preferred return on each such investment. One \$5.0 million investment, which was scheduled to mature in 2022, was fully redeemed in 2017. Another \$5.0 million investment, which was scheduled to mature in 2022, was fully redeemed in 2018. The remaining investment is scheduled to mature in 2022.

(7) Unsecured Debt

Essex does not have any indebtedness as all debt is incurred by the Operating Partnership. Essex guarantees the Operating Partnership's unsecured debt including the revolving credit facilities up to the maximum amounts and for the full term of the facilities.

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Unsecured debt consists of the following as of December 31, 2018 and 2017 (\$ in thousands):

	2018	2017	Weighted Average Maturity In Years
Unsecured bonds private placement - fixed rate	\$274,624	\$274,427	2.1
Term loan - variable rate	348,813	348,545	3.1
Bonds public offering - fixed rate	3,175,879	2,878,737	7.7
Unsecured debt, net ⁽¹⁾	3,799,316	3,501,709	
Lines of credit ⁽²⁾	—	179,000	
Total unsecured debt	\$3,799,316	\$3,680,709	
Weighted average interest rate on fixed rate unsecured bonds private placement and bonds public offering	3.9	% 3.7	%
Weighted average interest rate on variable rate term loan	3.0	% 2.5	%
Weighted average interest rate on lines of credit	3.2	% 2.3	%

⁽¹⁾ Includes unamortized discount, net of premiums, of \$7.1 million and \$5.2 million and unamortized debt issuance costs of \$18.5 million and \$18.1 million as of December 31, 2018 and 2017, respectively.

Lines of credit, related to the Company's two lines of unsecured credit aggregating \$1.24 billion, excludes ⁽²⁾ unamortized debt issuance costs of \$3.9 million and \$3.2 million as of December 31, 2018 and 2017, respectively. These debt issuance costs are included in prepaid expenses and other assets on the consolidated balance sheets.

As of both December 31, 2018 and 2017, the Company had \$275.0 million of private placement unsecured bonds outstanding at an average effective interest rate of 4.5% for both periods.

The following is a summary of the Company's unsecured private placement bonds as of December 31, 2018 and 2017 (\$ in thousands):

	Maturity	2018	2017	Coupon Rate
Senior unsecured private placement notes	December 2019	75,000	75,000	4.92 %
Senior unsecured private placement notes	April 2021	100,000	100,000	4.27 %
Senior unsecured private placement notes	June 2021	50,000	50,000	4.30 %
Senior unsecured private placement notes	August 2021	50,000	50,000	4.37 %
		\$275,000	\$275,000	

As of both December 31, 2018 and 2017, the Company had unsecured term loans outstanding of \$350.0 million at an average interest rate of 3.0% and 2.5%, respectively. These loans are included in the line "Term loan - variable rate" in the table above, and as of December 31, 2018 and 2017, the carrying value, net of debt issuance costs, was \$348.8 million and \$348.5 million, respectively, and the term loan matures in February 2022. The Company had entered into five interest rate swap contracts, for a term of five years with a notional amount totaling \$175.0 million, which will effectively convert the interest rate on \$175.0 million of the term loan to a fixed rate of 2.3%. These interest rate swaps are accounted for as cash flow hedges.

In March 2018, the Company issued \$300.0 million of senior unsecured notes due on March 15, 2048 with a coupon rate of 4.500% per annum and are payable on March 15 and September 15 of each year, beginning on September 15, 2018 (the "2048 Notes"). The 2048 Notes were offered to investors at a price of 99.591% of par value. The 2048 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018, the carrying value of the 2048 Notes, net of discount and debt issuance costs was \$295.4 million.

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In April 2017, the Company issued \$350.0 million of senior unsecured notes due on May 1, 2027 with a coupon rate of 3.625% per annum and are payable on May 1 and November 1 of each year, beginning on November 1, 2017 (the "2027 Notes"). The 2027 Notes were offered to investors at a price of 99.423% of par value. The 2027 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2027 Notes, net of discount and debt issuance costs was \$345.8 million and \$345.2 million, respectively.

In April 2016, the Company issued \$450.0 million of senior unsecured notes due on April 15, 2026 with a coupon rate of 3.375% per annum and are payable on April 15th and October 15th of each year, beginning October 15, 2016 (the "2026 Notes"). The 2026 Notes were offered to investors at a price of 99.386% of par value. The 2026 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2026 Notes, net of discount and debt issuance costs was \$445.0 million and \$444.4 million, respectively.

In March 2015, the Company issued \$500.0 million of senior unsecured notes due on April 1, 2025 with a coupon rate of 3.5% per annum and are payable on April 1st and October 1st of each year, beginning October 1, 2015 (the "2025 Notes"). The 2025 Notes were offered to investors at a price of 99.747% of par value. The 2025 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2025 Notes, net of discount and debt issuance costs was \$496.5 million and \$495.9 million, respectively.

In April 2014, the Company assumed \$900.0 million aggregate principal amount of BRE Property Inc.'s 5.500% senior notes due 2017; 5.200% senior notes due 2021; and 3.375% senior notes due 2023 (together the "BRE Notes"). These notes are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the BRE Notes, plus unamortized premium was \$601.3 million and \$603.2 million, respectively. In March 2017, the Company paid off \$300.0 million of 5.500% senior notes, at maturity.

In April 2014, the Company issued \$400.0 million of senior unsecured notes due on May 1, 2024 with a coupon rate of 3.875% per annum and are payable on May 1st and November 1st of each year, beginning November 1, 2014 (the "2024 Notes"). The 2024 Notes were offered to investors at a price of 99.234% of par value. The 2024 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2024 Notes, net of discount and debt issuance costs was \$396.5 million and \$395.8 million, respectively.

In April 2013, the Company issued \$300.0 million of senior unsecured notes due on May 1, 2023 with a coupon rate of 3.25% per annum and are payable on May 1st and November 1st of each year, beginning November 1, 2013 (the

"2023 Notes"). The 2023 Notes were offered to investors at a price of 99.152% of par value. The 2023 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2023 Notes, net of discount and debt issuance costs was \$297.6 million and \$297.0 million, respectively.

During the third quarter of 2012, the Company issued \$300.0 million of senior unsecured notes due August 2022 with a coupon rate of 3.625% per annum and are payable on February 15th and August 15th of each year, beginning February 15, 2013 (the "2022 Notes"). The 2022 Notes were offered to investors at a price of 98.99% of par value. The 2022 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Essex Property Trust, Inc. These bonds are included in the line "Bonds public offering-fixed rate" in the table above, and as of December 31, 2018 and 2017, the carrying value of the 2022 Notes, net of unamortized discount and debt issuance costs was \$297.8 million and \$297.2 million, respectively.

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The following is a summary of the Company's senior unsecured notes as of December 31, 2018 and 2017 (\$ in thousands):

Maturity	2018	2017	Coupon Rate
Senior notes March 2021	\$300,000	\$300,000	5.200%
Senior notes August 2022	300,000	300,000	3.625%
Senior notes January 2023	300,000	300,000	3.375%
Senior notes May 2023	300,000	300,000	3.250%
Senior notes May 2024	400,000	400,000	3.875%
Senior notes April 2025	500,000	500,000	3.500%
Senior notes April 2026	450,000	450,000	3.375%
Senior notes May 2027	350,000	350,000	3.625%
Senior notes March 2048	300,000	—	4.500%
	\$3,200,000	\$2,900,000	

The aggregate scheduled principal payments of unsecured debt payable, excluding lines of credit, at December 31, 2018 are as follows (\$ in thousands):

2019	\$75,000
2020	—
2021	500,000
2022	650,000
2023	600,000
Thereafter	2,000,000
	\$3,825,000

As of December 31, 2018, the Company had two unsecured lines of credit aggregating \$1.24 billion, including a \$1.2 billion unsecured line of credit and a \$35.0 million working capital unsecured line of credit. As of December 31, 2018, there was no amount outstanding on the \$1.2 billion unsecured line of credit. As of December 31, 2017, there was \$179.0 million outstanding on this line. The interest rate is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.875% as of December 31, 2018. In January 2019, this line of credit was amended such that the scheduled maturity date of this facility was extended to December 2022, with one 18-month extension, exercisable at the Company's option. The interest rate on the amended line is based on a tiered rate structure tied to the Company's credit ratings and is currently at LIBOR plus 0.825%. As of both December 31, 2018 and 2017, there was no amount outstanding on the Company's \$35.0 million working capital unsecured line of credit. The interest rate on the line is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.875% as of December 31, 2018.

The Company's unsecured lines of credit and unsecured debt agreements contain debt covenants related to limitations on indebtedness and liabilities, and maintenance of minimum levels of consolidated earnings before depreciation, interest and amortization. The Company was in compliance with the debt covenants as of December 31, 2018 and 2017.

In February 2019, the Company issued \$350.0 million of senior unsecured notes due on March 1, 2029 with a coupon rate of 4.000% per annum (the "2029 Notes"). See Note 17, Subsequent Events, for further details.

(8) Mortgage Notes Payable

Essex does not have any indebtedness as all debt is incurred by the Operating Partnership. Mortgage notes payable consist of the following as of December 31, 2018 and 2017 (\$ in thousands):

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	2018	2017
Fixed rate mortgage notes payable	\$1,538,488	\$1,739,856
Variable rate mortgage notes payable ⁽¹⁾	268,138	268,561
Total mortgage notes payable ⁽²⁾	\$1,806,626	\$2,008,417
Number of properties securing mortgage notes	50	56
Remaining terms	1-28 years	1-29 years
Weighted average interest rate	4.3	% 4.2 %

The aggregate scheduled principal payments of mortgage notes payable at December 31, 2018 are as follows (\$ in thousands):

2019	\$515,658
2020	693,723
2021	43,604
2022	41,178
2023	852
Thereafter	500,880
	\$1,795,895

- Variable rate mortgage notes payable, including \$256.0 million in bonds that have been converted to variable rate through total return swap contracts, consists of multifamily housing mortgage revenue bonds secured by deeds of trust on rental properties and guaranteed by collateral pledge agreements, payable monthly at a variable rate as
- (1) defined in the Loan Agreement (approximately 2.5% at December 2018 and 2.0% at December 2017) including credit enhancement and underwriting fees. Among the terms imposed on the properties, which are security for the bonds, is a requirement that 20% of the apartment homes are subject to tenant income criteria. Principal balances are due in full at various maturity dates from May 2025 through December 2046. Of these bonds, \$9.9 million are subject to various interest rate cap agreements that limit the maximum interest rate to such bonds.
- (2) Includes total unamortized premium, net of discounts, of \$14.9 million and \$33.2 million and reduced by unamortized debt issuance costs of \$4.2 million and \$5.4 million as of December 31, 2018 and 2017, respectively.

For the Company's mortgage notes payable as of December 31, 2018, monthly interest expense and principal amortization, excluding balloon payments, totaled approximately \$7.6 million and \$2.3 million, respectively. Second deeds of trust accounted for none of the mortgage notes payable balance as of both December 31, 2018 and 2017. Repayment of debt before the scheduled maturity date could result in prepayment penalties. The prepayment penalty on the majority of the Company's mortgage notes payable are computed by the greater of (a) 1% of the amount of the principal being prepaid or (b) the present value of the principal being prepaid multiplied by the difference between the interest rate of the mortgage note and the stated yield rate on a U.S. treasury security which generally has an equivalent remaining term as the mortgage note.

(9) Derivative Instruments and Hedging Activities

The Company uses interest rate swaps, interest rate caps, and total return swap contracts to manage certain interest rate risks. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest

rate curves. The fair values of interest rate swaps and total return swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate

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curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

In November 2016, the Company replaced its \$225.0 million term loan with a \$350.0 million five-year term loan with a delayed draw feature. The term loan carries a variable interest rate of LIBOR plus 95 basis points. In 2016, the Company entered into four forward starting interest rate swaps (settlement payments commenced in March 2017) and in 2017, the Company entered into one forward starting interest rate swap (settlement payments commenced in March 2017) all related to the \$350.0 million term loan. These five swaps, with a total notional amount of \$175.0 million bear an average fixed interest rate of 2.3% and are scheduled to mature in February 2022. These derivatives qualify for hedge accounting.

As of December 31, 2018 and 2017, the Company had interest rate caps, which were not accounted for as hedges, with an aggregate notional amount of \$9.9 million and \$20.7 million, respectively, which effectively limits the Company's exposure to interest rate risk by providing a ceiling on the variable interest rate for a portion of the Company's tax exempt variable rate debt.

As of December 31, 2018 and 2017, the aggregate carrying value of the interest rate swap contracts was an asset of \$5.8 million and \$5.4 million, respectively, and is included in prepaid expenses and other assets on the consolidated balance sheets, and a liability of zero as of both December 31, 2018 and 2017. The aggregate carrying value of the interest rate caps was zero on the balance sheet as of December 31, 2018 and 2017.

Hedge ineffectiveness related to cash flow hedges, which is included in interest expense was a loss of \$0.1 million, and income of \$0.1 million, and \$0.3 million for the years ended December 31, 2018, 2017, and 2016 respectively.

The Company has four total return swap contracts, with an aggregate notional amount of \$256.0 million, that effectively convert \$256.0 million of mortgage notes payable to a floating interest rate based on SIFMA plus a spread. The total return swaps provide fair market value protection on the mortgage notes payable to our counterparties during the initial period of the total return swap until the Company's option to call the mortgage notes at par can be exercised. The Company can currently call all four of the total return swaps with \$256.0 million of the outstanding debt at par. These derivatives do not qualify for hedge accounting and had a carrying and fair value of zero at both December 31, 2018 and 2017, respectively. These total return swaps are scheduled to mature between September 2021 and November 2022. The realized gains of \$8.7 million, \$10.1 million, and \$11.7 million as of December 31, 2018, 2017, and 2016, respectively, were reported in current year income as total return swap income.

(10) Lease Agreements

As of December 31, 2018, the Company is a lessor for one commercial building and the commercial portions of 38 mixed use communities. The tenants' lease terms expire at various times through 2031. The future minimum non-cancelable base rent to be received under these operating leases for each of the years ending after December 31 is summarized as follows (\$ in thousands):

	Future Minimum Rent
2019	\$ 16,386

2020	15,842
2021	14,412
2022	13,324
2023	12,181
Thereafter	33,034
	\$ 105,179

(11) Equity Transactions

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Preferred Securities Offerings

In April 2016, the Company redeemed all of the issued and outstanding 2,950,000 shares of the Company's 7.125% Series H Cumulative Redeemable Preferred Stock ("Series H") for \$25.00 per share for \$73.8 million in cash. In connection with the Series H redemption, the Operating Partnership redeemed the Series H 7.125% Preferred Interest. The notice of redemption was given in March 2016, which resulted in the Company and the Operating Partnership each recording \$2.5 million in excess of redemption value over carrying value charge to 2016 net income attributable to common stockholders and net income related to unitholders, respectively.

Common Stock Offerings

In September 2018, the Company entered into a new equity distribution agreement pursuant to which the Company may offer and sell shares of its common stock having an aggregate gross sales price of up to \$900.0 million (the "2018 ATM Program"). In connection with the 2018 ATM Program, the Company may also enter into related forward sale agreements whereby, at the Company's discretion, it may sell shares of its common stock under the 2018 ATM Program under forward sale agreements. The use of a forward sale agreement would allow the Company to lock in a share price on the sale of shares of its common stock at the time the agreement is executed, but defer receiving the proceeds from the sale of shares until a later date. The Company anticipates using the net proceeds, which are contributed to the Operating Partnership, to acquire, develop, or redevelop properties, which primarily will be apartment communities, to make other investments and for working capital or general corporate purposes, which may include the repayment of indebtedness.

Upon entering into the 2018 ATM Program, the Company simultaneously terminated its existing equity distribution agreements, which were entered into in March 2016 in connection with its prior at-the-market equity offering program (the "2016 ATM Program"). During the year ended December 31, 2018, the Company did not sell any shares of its common stock through the 2018 ATM Program or through the 2016 ATM Program. Since commencement of the 2018 ATM Program, as of December 31, 2018, the Company has not sold any shares of its common stock and there are no outstanding forward sale agreements, and \$900.0 million of shares remains available to be sold under this program. During 2017, the Company issued 345,444 shares of common stock, through the 2016 ATM program at an average price of \$260.38 per share for total proceeds of \$89.1 million, net of fees and commissions. For the year ended December 31, 2016, the Company did not issue any shares of common stock pursuant to the 2016 ATM Program.

Operating Partnership Units and Long Term Incentive Plan ("LTIP") Units

As of December 31, 2018 and 2017, the Operating Partnership had outstanding 2,171,309 and 2,054,814 operating partnership units and 134,080 and 213,300 vested LTIP units, respectively. The Operating Partnership's general partner, Essex, owned 96.6% and 96.7% of the partnership interests in the Operating Partnership as of December 31, 2018 and 2017, respectively, and Essex is responsible for the management of the Operating Partnership's business. As the general partner of the Operating Partnership, Essex effectively controls the ability to issue common stock of Essex upon a limited partner's notice of redemption. Essex has generally acquired Operating Partnership limited partnership units ("OP Units") upon a limited partner's notice of redemption in exchange for shares of its common stock. The redemption provisions of OP Units owned by limited partners that permit Essex to settle in either cash or common stock at the option of Essex were further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that, with few

exceptions, these OP Units meet the requirements to qualify for presentation as permanent equity.

LTIP units represent an interest in the Operating Partnership for services rendered or to be rendered by the LTIP unit holder in its capacity as a partner, or in anticipation of becoming a partner, in the Operating Partnership. Upon the occurrence of specified events, LTIP units may over time achieve full parity with common units of the Operating Partnership for all purposes. Upon achieving full parity, LTIP units will be exchanged for an equal number of the OP Units.

The collective redemption value of OP Units and LTIP units owned by the limited partners, not including Essex, was approximately \$565.3 million and \$547.5 million based on the closing price of Essex's common stock as of December 31, 2018 and 2017, respectively.

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(12) Net Income Per Common Share and Net Income Per Common Unit

Essex Property Trust, Inc.

Basic and diluted income per share is calculated as follows for the years ended December 31 (\$ in thousands, except share and per share amounts):

	2018			2017			2016		
	Income	Weighted- average Common Shares	Per Common Share Amount	Income	Weighted- average Common Shares	Per Common Share Amount	Income	Weighted- average Common Shares	Per Common Share Amount
Basic:									
Net income available to common stockholders	390,153	66,041,058	\$ 5.91	433,059	65,829,155	\$ 6.58	411,124	65,471,540	\$ 6.28
Effect of Dilutive Securities									
Stock options	—	44,031		—	69,100		—	116,276	
Diluted:									
Net income available to common stockholders	390,153	66,085,089	\$ 5.90	433,059	65,898,255	\$ 6.57	411,124	65,587,816	\$ 6.27

The table above excludes from the calculations of diluted earnings per share weighted average convertible OP Units of 2,274,941, 2,252,575, and 2,224,100, which include vested Series Z-1 Incentive Units, 2014 Long-Term Incentive Plan Units, and 2015 Long-Term Incentive Plan Units, for the years ended December 31, 2018, 2017 and 2016, respectively, because they were anti-dilutive. The related income allocated to these convertible OP Units aggregated \$13.5 million, \$14.8 million, and \$14.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. Additionally, the table excludes all DownREIT limited partnership units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

Stock options of 160,039, 154,793, and 252,334, for the years ended December 31, 2018, 2017, and 2016, respectively, were excluded from the calculation of diluted earnings per share because the assumed proceeds per share of such options plus the average unearned compensation were greater than the average market price of the common stock for the years ended and, therefore, were anti-dilutive.

All shares of cumulative convertible Series H preferred interest have been excluded from diluted earnings per share for the years ended December 31, 2016, as the effect was anti-dilutive.

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Essex Portfolio, L.P.

Basic and diluted income per unit is calculated as follows for the years ended December 31 (\$ in thousands, except unit and per unit amounts):

	2018			2017			2016		
	Income	Weighted- average Common Units	Per Common Unit Amount	Income	Weighted- average Common Units	Per Common Unit Amount	Income	Weighted- average Common Units	Per Common Unit Amount
Basic:									
Net income available to common unitholders	\$403,605	68,315,999	\$ 5.91	\$447,884	68,081,730	\$ 6.58	\$425,213	67,695,640	\$ 6.28
Effect of Dilutive Securities									
Stock options	—	44,031		—	69,100		—	116,276	
Diluted:									
Net income available to common unitholders	\$403,605	68,360,030	\$ 5.90	\$447,884	68,150,830	\$ 6.57	\$425,213	67,811,916	\$ 6.27

Stock options of 160,039, 154,793, and 252,334, for the years ended December 31, 2018, 2017, and 2016, respectively, were excluded from the calculation of diluted earnings per unit because the assumed proceeds per unit of these options plus the average unearned compensation were greater than the average market price of the common unit for the years ended and, therefore, were anti-dilutive. Additionally, the table excludes all DownREIT limited partnership units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

The cumulative convertible Series H preferred interest have been excluded from diluted earnings per unit for the years ended December 31, 2016, as the effect was anti-dilutive.

(13) Equity Based Compensation Plans

Stock Options and Restricted Stock

In May 2018, stockholders approved the Company's 2018 Stock Award and Incentive Compensation Plan ("2018 Plan"). The 2018 Plan serves as the successor to the Company's 2013 Stock Incentive Plan (the "2013 Plan"). The Company's 2018 Plan provides incentives to attract and retain officers, directors and key employees. The 2018 Plan provides for the grant of stock-based awards to employees, directors and consultants of the Company and its affiliates. The aggregate number of shares of the Company's common stock available for issuance pursuant to awards granted under the 2018 Plan is 2,000,000 shares, plus the number of shares authorized for grants and available for issuance under the 2013 Plan as of the effective date of the 2018 Plan and the number of shares subject to outstanding awards under the 2013 Plan that are forfeited or otherwise not issued under such awards. No further awards will be granted under the 2013 Plan and the shares that remained available for future issuance under the 2013 Plan as of the effective date of the 2018 Plan will be available for issuance under the 2018 Plan. In connection with the adoption of the 2018

Plan, the Board delegated to the Compensation Committee of the Board the authority to administer the 2018 Plan.

Equity-based compensation costs for options and restricted stock under the fair value method totaled \$12.1 million, \$9.8 million, and \$8.5 million for years ended December 31, 2018, 2017 and 2016 respectively. For each of the years ended December 31, 2018, 2017 and 2016 equity-based compensation costs included \$3.5 million related to restricted stock for bonuses awarded based on asset dispositions, which is recorded as a cost of real estate and land sold, respectively. Stock-based compensation for options and restricted stock related to recipients who are direct and incremental to projects under development were capitalized and totaled \$2.0 million, \$1.5 million, and \$0.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The intrinsic value of the options exercised totaled \$3.1 million, \$16.7 million, and \$11.9

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million, for the years ended December 31, 2018, 2017, and 2016 respectively. The intrinsic value of the options exercisable totaled \$12.5 million and \$11.3 million as of December 31, 2018 and 2017, respectively.

Total unrecognized compensation cost related to unvested stock options totaled \$6.0 million as of December 31, 2018 and the unrecognized compensation cost is expected to be recognized over a period of 2.1 years.

The average fair value of stock options granted for the years ended December 31, 2018, 2017 and 2016 was \$26.13, \$22.41 and \$21.65, respectively. Certain stock options granted in 2018, 2017, and 2016 included a \$100 cap, \$125 cap, or no cap on the appreciation of the market price over the exercise price. The fair value of stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

	2018	2017	2016
Stock price	\$262.09	\$240.56	\$219.60
Risk-free interest rates	2.76 %	2.30 %	2.08 %
Expected lives	6 years	6 years	6 years
Volatility	24.89 %	24.10 %	26.47 %
Dividend yield	2.81 %	2.90 %	2.89 %

A summary of the status of the Company's stock option plans as of December 31, 2018, 2017, and 2016 and changes during the years ended on those dates is presented below:

	2018		2017		2016	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	536,208	\$ 211.41	557,648	\$ 181.50	525,094	\$ 154.98
Granted	119,361	262.09	164,677	240.56	207,429	219.60
Exercised	(39,175)	159.05	(176,489)	146.86	(138,054)	138.79
Forfeited and canceled	(3,440)	221.80	(9,628)	160.40	(36,821)	178.18
Outstanding at end of year	612,954	224.57	536,208	211.41	557,648	181.50
Options exercisable at year end	322,837	206.63	223,796	191.09	290,340	160.90

The following table summarizes information about restricted stock outstanding as of December 31, 2018, 2017 and 2016 and changes during the years ended:

	2018		2017		2016	
	Shares	Weighted-average grant price	Shares	Weighted-average grant price	Shares	Weighted-average grant price
Unvested at beginning of year	90,823	\$ 163.49	58,349	\$ 149.11	54,676	\$ 147.10
Granted	51,945	194.70	62,706	177.28	49,183	150.13
Vested	(48,212)	150.76	(29,675)	170.17	(38,427)	147.12

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Forfeited and canceled	(3,498)	158.71	(557)	119.37	(7,083)	141.76
Unvested at end of year	91,058	180.99	90,823	163.49	58,349	149.11

The unrecognized compensation cost related to unvested restricted stock totaled \$11.4 million as of December 31, 2018 and is expected to be recognized over a period of 2.7 years.

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Long Term Incentive Plans – LTIP Units

On December 9, 2014, the Operating Partnership issued 44,750 LTIP units under the 2015 Long-Term Incentive Plan Award agreements to executives of the Company. The 2015 Long-Term Incentive Plan Units (the "2015 LTIP Units") are subject to forfeiture based on performance-based and service based conditions. An additional 24,000 LTIP units were granted subject only to performance-based criteria and were fully vested on the date granted. The 2015 LTIP Units, that are subject to vesting, will vest at 20% per year on each of the first five anniversaries of the initial grant date. The 2015 LTIP Units performance conditions measurement ended on December 9, 2015 and 95.75% of the units awarded were earned by the recipients. 2015 LTIP Units not earned based on the performance-based criteria were automatically forfeited by the recipients. The 2015 LTIP Units, once earned and vested, are convertible one-for-one into OP Units which, in turn, are convertible into common stock of the Company subject to a ten-year liquidity restriction.

In December 2013, the Operating Partnership issued 50,500 LTIP units under the 2014 Long-Term Incentive Plan Award agreements to executives of the Company. The 2014 Long-Term Incentive Plan Units (the "2014 LTIP Units") were subject to forfeiture based on performance-based conditions and are currently subject to service based vesting. The 2014 LTIP Units vest 25% per year on each of the first four anniversaries of the initial grant date. In December 2014, the Company achieved the performance criteria and all of the 2014 LTIP Units awarded were earned by the recipients, subject to satisfaction of service based vesting conditions. The 2014 LTIP Units are convertible one-for-one into OP Units which, in turn, are convertible into common stock of the Company subject to a ten year liquidity restriction.

The estimated fair value of the 2015 LTIP Units and 2014 LTIP Units were determined on the grant date using Monte Carlo simulations under a risk-neutral premise and considered Essex's stock price on the date of grant, the unpaid dividends on unvested units and the discount factor for 10 years of illiquidity.

Prior to 2013, the Company issued Series Z Incentive Units and Series Z-1 Incentive Units (collectively referred to as "Z Units") of limited partnership interest in the Operating Partnership. Vesting in the Z Units is based on performance criteria established in the plan. The criteria can be revised by the Compensation Committee of the Board of Directors if the Committee deems that the plan's criterion is unachievable for any given year. The sale of Z Units is contractually prohibited. Z Units are convertible into Operating Partnership units which are exchangeable for shares of the Company's common stock that have marketability restrictions. The estimated fair value of Z Units were determined on the grant date and considered the Company's stock price on the date of grant, the dividends that are not paid on unvested units and a marketability discount for the 8 to 15 years of illiquidity. Compensation expense is calculated by multiplying estimated vesting increases for the period by the estimated fair value as of the grant date.

During 2011 and 2010, the Operating Partnership issued 154,500 Series Z-1 Incentive Units (the "Z-1 Units") of limited partner interest to executives of the Company. The Z-1 Units are convertible one-for-one into common units of the Operating Partnership (which, in turn, are convertible into common stock of the Company) upon the earlier to occur of 100 percent vesting of the units or the year 2026. The conversion ratchet (accounted for as vesting) of the Z-1 Units into common units, is to increase consistent with the Company's annual FFO growth, but is not to be less than zero or greater than 14 percent. Z-1 Unit holders are entitled to receive distributions, on vested units, that are now equal to dividends distributed to common stockholders.

Equity-based compensation costs for LTIP and Z Units under the fair value method totaled approximately \$0.8 million, \$1.5 million and \$2.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Equity-based compensation costs related to LTIP Units attributable to recipients who are direct and incremental to these projects was capitalized to real estate under development and totaled approximately \$0.2 million, \$0.5 million, and \$0.6 million, for the years ended December 31, 2018, 2017, and 2016, respectively. The intrinsic value of the vested and unvested LTIP Units totaled \$58.0 million as of December 31, 2018. Total unrecognized compensation cost related to the unvested LTIP Units under the LTIP Units plans totaled \$0.9 million as of December 31, 2018. On a weighted average basis, the unamortized cost for the 2015 LTIP Units and the Z Units is expected to be recognized over the next 1.0 years to 6.5 years, depending on certain performance targets.

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The following table summarizes information about the LTIP Units outstanding as of December 31, 2018:

	Long Term Incentive Plan - LTIP Units				
	Total Vested Units	Total Unvested Units	Total Outstanding Units	Weighted-average Grant-date Fair Value	Weighted-average Remaining Contractual Life (years)
Balance, December 31, 2015	144,185	106,157	250,342	\$ 75.41	9.5
Granted	—	—	—		
Vested	36,842	(36,842)	—		
Converted	—	—	—		
Cancelled	—	(9,288)	(9,288)		
Balance, December 31, 2016	181,027	60,027	241,054	\$ 75.11	8.5
Granted	—	—	—		
Vested	32,961	(32,961)	—		
Converted	(688)	—	(688)		
Cancelled	—	(3,854)	(3,854)		
Balance, December 31, 2017	213,300	23,212	236,512	\$ 75.03	7.5
Granted	—	—	—		
Vested	12,051	(12,051)	—		
Converted	(91,270)	—	(91,270)		
Cancelled	—	—	—		
Balance, December 31, 2018	134,081	11,161	145,242	\$ 75.03	6.5

(14) Segment Information

The Company's segment disclosures present the measure used by the chief operating decision makers for purposes of assessing each segment's performance. The Company's chief operating decision makers are comprised of several members of its executive management team who use net operating income ("NOI") to assess the performance of the business for the Company's reportable operating segments. NOI represents total property revenue less direct property operating expenses.

The executive management team evaluates the Company's operating performance geographically. The Company defines its reportable operating segments as the three geographical regions in which its communities are located: Southern California, Northern California and Seattle Metro.

Excluded from segment revenues and NOI are management and other fees from affiliates and interest and other income. Non-segment revenues and NOI included in the following schedule also consist of revenue generated from commercial properties and properties that have been sold. Other non-segment assets include items such as real estate under development, co-investments, real estate held for sale, net, cash and cash equivalents, marketable securities, notes and other receivables and prepaid expenses and other assets.

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The revenues and NOI for each of the reportable operating segments are summarized as follows for the years ended December 31, 2018, 2017, and 2016 (\$ in thousands):

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Southern California	\$592,281	\$574,552	\$540,000
Northern California	522,561	505,313	453,140
Seattle Metro	236,525	229,871	217,259
Other real estate assets	39,503	44,589	75,324
Total property revenues	\$1,390,870	\$1,354,325	\$1,285,723
Net operating income:			
Southern California	\$421,613	\$408,070	\$381,212
Northern California	386,401	371,795	333,757
Seattle Metro	165,397	162,253	154,147
Other real estate assets	32,125	36,821	57,790
Total net operating income	1,005,536	978,939	926,906
Management and other fees from affiliates	9,183	9,574	8,278
Corporate-level property management expenses	(31,062)	(30,156)	(30,110)
Depreciation and amortization	(479,884)	(468,881)	(441,682)
General and administrative	(53,451)	(41,385)	(40,751)
Expensed acquisition and investment related costs	(194)	(1,569)	(1,841)
Interest expense	(220,492)	(222,894)	(219,654)
Total return swap income	8,707	10,098	11,716
Interest and other income	23,010	24,604	27,305
Equity income from co-investments	89,132	86,445	48,698
Loss on early retirement of debt	—	(1,796)	(606)
Gain on sale of real estate and land	61,861	26,423	154,561
Deferred tax expense on gain on sale of real estate and land	—	—	(4,410)
Gain on remeasurement of co-investment	1,253	88,641	—
Net income	\$413,599	\$458,043	\$438,410

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Total assets for each of the reportable operating segments are summarized as follows as of December 31, 2018 and 2017 (\$ in thousands):

	As of December 31,	
	2018	2017
Assets:		
Southern California	\$4,350,377	\$4,504,930
Northern California	4,270,238	4,220,551
Seattle Metro	1,472,916	1,522,452
Other real estate assets	63,022	344,843
Net reportable operating segments - real estate assets	10,156,553	10,592,776
Real estate under development	454,629	355,735
Co-investments	1,300,140	1,155,984
Cash and cash equivalents, including restricted cash	151,395	61,126
Marketable securities	209,545	190,004
Notes and other receivables	71,895	100,926
Prepaid expenses and other assets	39,439	39,155
Total assets	\$12,383,596	\$12,495,706

(15) 401(k) Plan

The Company has a 401(k) benefit plan (the "Plan") for all eligible employees. Employee contributions are limited by the maximum allowed under Section 401(k) of the Internal Revenue Code. The Company matches 50% of the employee contributions up to a specified maximum. Company contributions to the Plan were approximately \$2.1 million, \$1.8 million, and \$1.8 million for the years ended December 31, 2018, 2017, and 2016, respectively.

(16) Commitments and Contingencies

As of December 31, 2018, the Company had eight ground leases that expire between 2027 and 2083. Ground lease payments are typically the greater of a stated minimum or a percentage of gross rents generated by these apartment communities, some of which may be subject to future adjustments, which are not contemplated in the disclosed minimum lease commitments. The total minimum lease commitments, under ground leases and operating leases, for each of the years ending December 31 is summarized as follows (\$ in thousands):

	Total Minimum Lease Commitments
2019	\$ 6,811
2020	6,855
2021	6,877
2022	6,888
2023	6,860
Thereafter	153,258
	\$ 187,549

To the extent that an environmental matter arises or is identified in the future that has other than a remote risk of having a material impact on the financial statements, the Company will disclose the estimated range of possible outcomes associated with it and, if an outcome is probable, accrue an appropriate liability for that matter. The Company will consider whether any such matter results in an impairment of value on the affected property and, if so, the impairment will be recognized.

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The Company has no way of determining the magnitude of any potential liability to which it may be subject arising out of unknown environmental conditions with respect to the communities currently or formerly owned by the Company. No assurance can be given that: existing environmental assessments conducted with respect to any of these communities have revealed all environmental conditions or potential liabilities associated with such conditions; any prior owner or operator of a property did not create any material environmental condition not known to the Company; or a material unknown environmental condition does not otherwise exist as to any one or more of the communities. The Company has limited insurance coverage for some of the types of environmental conditions and associated liabilities described above.

The Company has entered into transactions that may require the Company to pay the tax liabilities of the partners in the Operating Partnership or in the DownREIT entities. These transactions are within the Company's control. Although the Company plans to hold the contributed assets or defer recognition of gain on their sale pursuant to like-kind exchange rules under Section 1031 of the Internal Revenue Code, the Company can provide no assurance that it will be able to do so and if such tax liabilities were incurred they may have a material impact on the Company's financial position.

There continue to be lawsuits against owners and managers of certain of the Company's apartment communities alleging personal injury and property damage caused by the presence of mold in the residential units and common areas of those communities. Some of these lawsuits have resulted in substantial monetary judgments or settlements. The Company has been sued for mold related matters and has settled some, but not all, of such suits. Insurance carriers have reacted to the increase in mold related liability awards by excluding mold related claims from standard general liability policies and pricing mold endorsements at prohibitively high rates. The Company has, however, purchased pollution liability insurance which includes coverage for some mold claims. The Company has also adopted policies intended to promptly address and resolve reports of mold and to minimize any impact mold might have on tenants of its properties. The Company believes its mold policies and proactive response to address reported mold exposures reduces its risk of loss from mold claims. While no assurances can be given that the Company has identified and responded to all mold occurrences, the Company promptly addresses and responds to all known mold reports. Liabilities resulting from such mold related matters are not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows. As of December 31, 2018, potential liabilities for mold and other environmental liabilities are not quantifiable and an estimate of possible loss cannot be made.

The Company carries comprehensive liability, fire, extended coverage and rental loss insurance for each of the communities. There are, however, certain types of extraordinary losses, such as, for example, losses from terrorism or earthquakes, for which the Company has limited insurance coverage. Substantially all of the communities are located in areas that are subject to earthquake activity. The Company has established a wholly-owned insurance subsidiary, Pacific Western Insurance LLC ("PWI"). Through PWI, the Company is self-insured for earthquake related losses. Additionally, since January 2008, PWI has provided property and casualty insurance coverage for the first \$5.0 million of the Company's property level insurance claims per incident. As of December 31, 2018, PWI has cash and marketable securities of approximately \$86.6 million. These assets are consolidated in the Company's financial statements. Beginning in 2013, the Company has obtained limited third party seismic insurance on selected assets in the Company's co-investments.

The Company is subject to various other legal and/or regulatory proceedings arising in the course of its business operations. We believe that, with respect to such matters that we are currently a party to, the ultimate disposition of

any such matter will not result in a material adverse effect on the Company's financial condition, results of operations or cash flows.

(17) Subsequent Events

In January 2019, the Company repaid \$290.0 million in secured mortgage notes payable with a coupon rate of 5.57% and a stated maturity date of May 2019.

In February 2019, the Company issued \$350.0 million of the 2029 Notes, with a coupon rate of 4.000%, which are payable on March 1 and September 1 of each year, beginning on September 1, 2019. The 2029 Notes were offered to investors at a price of 99.188% of par value. The 2029 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are unconditionally guaranteed by Essex Property Trust, Inc. The Company used the net proceeds of this offering to repay indebtedness under its unsecured lines of credit and for other general corporate purposes.

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In February 2019, the Company funded a \$24.5 million related party preferred equity investment with an initial accrued preferred return of 11.0% and an initial maturity date of February 2024.

Subsequent to year end through February 15, 2019, the Company repurchased 234,061 shares of common stock totaling \$57.0 million, including commissions, at an average price of \$243.48 per share. As of December 31, 2018, the Company had \$197.7 million of purchase authority remaining under the stock repurchase program. On February 19, 2019, Essex's Board of Directors approved the replenishment of the stock repurchase plan such that, as of such date, the Company had \$250.0 million of purchase authority remaining under the replenished plan.

(18) Quarterly Results of Operations (Unaudited)

Essex Property Trust, Inc.

The following is a summary of quarterly results of operations for 2018 and 2017 (\$ in thousands, except per share and dividend amounts):

	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
2018:				
Total property revenues	\$ 350,787	\$ 348,610	\$ 346,526	\$ 344,947
Net income	\$ 124,440	\$ 86,110	\$ 106,410	\$ 96,639
Net income available to common stockholders	\$ 117,820	\$ 80,975	\$ 100,440	\$ 90,918
Per share data:				
Net income:				
Basic ⁽¹⁾	\$ 1.78	\$ 1.23	\$ 1.52	\$ 1.38
Diluted ⁽¹⁾	\$ 1.78	\$ 1.22	\$ 1.52	\$ 1.38
Dividends declared	\$ 1.86	\$ 1.86	\$ 1.86	\$ 1.86
2017:				
Total property revenues	\$ 342,417	\$ 341,974	\$ 336,766	\$ 333,168
Net income	\$ 109,662	\$ 85,035	\$ 75,795	\$ 187,551
Net income available to common stockholders	\$ 103,613	\$ 79,723	\$ 70,759	\$ 178,964
Per share data:				
Net income:				
Basic ⁽¹⁾	\$ 1.57	\$ 1.21	\$ 1.08	\$ 2.73
Diluted ⁽¹⁾	\$ 1.57	\$ 1.21	\$ 1.08	\$ 2.72
Dividends declared	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75

⁽¹⁾ Quarterly earnings per common unit amounts may not total to the annual amounts due to rounding and the changes in the number of weighted common units outstanding and included in the calculation of basic and diluted shares.

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Essex Portfolio, L.P.

The following is a summary of quarterly results of operations for 2018 and 2017 (\$ in thousands, except per unit and distribution amounts):

	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
2018:				
Total property revenues	\$ 350,787	\$ 348,610	\$ 346,526	\$ 344,947
Net income	\$ 124,440	\$ 86,110	\$ 106,410	\$ 96,639
Net income available to common unitholders	\$ 121,891	\$ 83,764	\$ 103,900	\$ 94,050
Per unit data:				
Net income:				
Basic ⁽¹⁾	\$ 1.78	\$ 1.23	\$ 1.52	\$ 1.38
Diluted ⁽¹⁾	\$ 1.78	\$ 1.23	\$ 1.52	\$ 1.38
Distributions declared	\$ 1.86	\$ 1.86	\$ 1.86	\$ 1.86
2017:				
Total property revenues	\$ 342,417	\$ 341,974	\$ 336,766	\$ 333,168
Net income	\$ 109,662	\$ 85,035	\$ 75,795	\$ 187,551
Net income available to common unitholders	\$ 107,149	\$ 82,444	\$ 73,181	\$ 185,110
Per unit data:				
Net income:				
Basic ⁽¹⁾	\$ 1.57	\$ 1.21	\$ 1.08	\$ 2.73
Diluted ⁽¹⁾	\$ 1.57	\$ 1.21	\$ 1.08	\$ 2.72
Distributions declared	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75

⁽¹⁾ Quarterly earnings per common unit amounts may not total to the annual amounts due to rounding and the changes in the number of weighted common units outstanding and included in the calculation of basic and diluted shares.

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
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 (Dollars in thousands)

Property	Apartment Homes	Location	Encumbered land	Initial cost		Costs capitalized		Gross amount carried at close of period		Accumulated depreciation	Date of construction	D
				Land	Buildings and improvements	subsequent acquisition	and improvements	Buildings and improvements ⁽¹⁾	Buildings and improvements			
Avondale at Warner Center	446	Woodland Hills, CA	\$41,945	\$10,536	\$24,522	\$22,604	\$10,601	\$47,061	\$57,662	\$(32,368)	1970	Ja
Bel Air	462	San Ramon, CA	49,185	12,105	18,252	37,550	12,682	55,225	67,907	(37,019)	1988	Ja
Belcarra	296	Bellevue, WA	48,602	21,725	92,091	1,985	21,725	94,076	115,801	(16,327)	2009	A
BellCentre	248	Bellevue, WA	36,617	16,197	67,207	3,843	16,197	71,050	87,247	(13,018)	2001	A
Belmont Station	275	Los Angeles, CA	29,678	8,100	66,666	6,379	8,267	72,878	81,145	(28,705)	2009	M
Brookside Oaks	170	Sunnyvale, CA	17,746	7,301	16,310	26,653	10,328	39,936	50,264	(22,529)	1973	Ju
Carmel Creek	348	San Diego, CA	58,875	26,842	107,368	6,069	26,842	113,437	140,279	(21,010)	2000	A
City View	572	Hayward, CA	62,544	9,883	37,670	29,252	10,350	66,455	76,805	(47,198)	1975	M
Courtyard off Main	110	Bellevue, WA	14,542	7,465	21,405	3,999	7,465	25,404	32,869	(7,768)	2000	O
Domaine	92	Seattle, WA	13,446	9,059	27,177	1,173	9,059	28,350	37,409	(6,238)	2009	Se
Elevation	158	Redmond, WA	10,103	4,758	14,285	6,968	4,757	21,254	26,011	(8,650)	1986	Ju
Fairhaven Apartments	164	Santa Ana, CA	18,078	2,626	10,485	8,847	2,957	19,001	21,958	(10,794)	1970	N
Form 15	242	San Diego, CA	44,922	24,510	72,221	5,236	25,540	76,427	101,967	(7,633)	2014	M
Foster's Landing	490	Foster City, CA	90,117	61,714	144,000	9,004	61,714	153,004	214,718	(28,842)	1987	A
Fountains at River Oaks	226	San Jose, CA	29,974	26,046	60,773	4,234	26,046	65,007	91,053	(11,960)	1990	A
Fountain Park	705	Playa Vista, CA	82,571	25,073	94,980	33,057	25,203	127,907	153,110	(70,823)	2002	Fe
Hidden Valley	324		29,360	14,174	34,065	6,184	9,674	44,749	54,423	(21,000)	2004	D

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Highlands at Wynhaven	333	Simi Valley, CA	29,540	16,271	48,932	13,850	16,271	62,782	79,053	(24,572)	2000	A
Highridge	255	Rancho Palos Verdes, CA	69,273	5,419	18,347	31,535	6,073	49,228	55,301	(36,693)	1972	M
Hillcrest Park	608	Newbury Park, CA	61,279	15,318	40,601	20,434	15,755	60,598	76,353	(39,954)	1973	M
Huntington Breakers	342	Huntington Beach, CA	34,397	9,306	22,720	20,818	9,315	43,529	52,844	(29,374)	1984	O
Inglennook Court	224	Bothell, WA	8,238	3,467	7,881	7,771	3,474	15,645	19,119	(12,667)	1985	O
1000 Kiely	121	Santa Clara, CA	34,040	9,359	21,845	7,956	9,359	29,801	39,160	(10,654)	1971	M
Magnolia Square/Magnolia Lane ⁽²⁾	188	Sunnyvale, CA	52,237	8,190	24,736	17,531	8,191	42,266	50,457	(20,951)	1963	S
Marquis	166	San Jose, CA	43,467	20,495	47,823	117	20,495	47,940	68,435	(151)	2015	D
Montanosa	472	San Diego, CA	60,473	26,697	106,787	5,447	26,697	112,234	138,931	(20,206)	1990	A
Montebello	248	Kirkland, WA	24,639	13,857	41,575	4,955	13,858	46,529	60,387	(11,718)	1996	J
Montejo Apartments	124	Garden Grove, CA	12,873	1,925	7,685	3,972	2,194	11,388	13,582	(6,436)	1974	N
Park Highland	250	Bellevue, WA	25,127	9,391	38,224	12,255	9,391	50,479	59,870	(10,986)	1993	A
Pinnacle at Fullerton	192	Fullerton, CA	25,320	11,019	45,932	3,377	11,019	49,309	60,328	(9,000)	2004	A

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December 31, 2018
(Dollars in thousands)

Property	Apartment Homes	Location	Encumbrance	Initial cost		Costs				Accumulated depreciation
				Land	Buildings and improvements	subsequent to acquisition	Gross amount carried at close of period		Total ⁽¹⁾	
						Land and improvements	Buildings and improvements			
Pinnacle on Lake Washington	180	Renton, WA	17,499	7,760	31,041	2,893	7,760	33,934	41,694	(5,993)
Pinnacle at MacArthur Place	253	Santa Ana, CA	36,478	15,810	66,401	4,703	15,810	71,104	86,914	(12,752)
Pinnacle at Otay Ranch I & II	364	Chula Vista, CA	37,272	17,023	68,093	3,691	17,023	71,784	88,807	(13,000)
Pinnacle at Talega	362	San Clemente, CA	41,647	19,292	77,168	2,771	19,292	79,939	99,231	(14,268)
Sage at Cupertino	230	San Jose, CA	51,690	35,719	53,449	3,467	35,719	56,916	92,635	(3,689)
Stevenson Place	200	Fremont, CA	19,840	996	5,582	12,827	1,001	18,404	19,405	(13,221)
Summerhill Park	100	Sunnyvale, CA	12,269	2,654	4,918	11,132	2,656	16,048	18,704	(10,309)
The Audrey at Belltown	137	Seattle, WA	19,767	9,228	36,911	958	9,228	37,869	47,097	(6,618)
The Barkley ⁽³⁾	161	Anaheim, CA	14,843	—	8,520	7,001	2,353	13,168	15,521	(8,354)
The Dylan	184	West Hollywood, CA	59,163	19,984	82,286	834	19,990	83,114	103,104	(12,396)
The Huntington	276	Huntington Beach, CA	27,707	10,374	41,495	5,028	10,374	46,523	56,897	(11,692)
The Huxley	187	West Hollywood, CA	53,874	19,362	75,641	1,321	19,371	76,953	96,324	(11,748)
The Landing at Jack London Square	282	Oakland, CA	49,421	33,554	78,292	5,908	33,554	84,200	117,754	(16,132)
The Palms at Laguna Niguel	460	Laguna Niguel, CA	52,887	23,584	94,334	8,094	23,584	102,428	126,012	(18,599)
The Waterford	238		29,252	11,808	24,500	15,956	15,165	37,099	52,264	(21,980)

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Valley Park	160	San Jose, CA Fountain Valley, CA	20,875	3,361	13,420	5,949	3,761	18,969	22,730	(10,761)
Villa Angelina	256	Placentia, CA	27,184	4,498	17,962	7,398	4,962	24,896	29,858	(14,497)
Villa Granada	270	Santa Clara, CA	54,307	38,299	89,365	1,732	38,299	91,097	129,396	(16,216)
Wandering Creek	156	Kent, WA	5,254	1,285	4,980	4,833	1,296	9,802	11,098	(7,521)
Wilshire Promenade	149	Fullerton, CA	16,189	3,118	7,385	9,124	3,797	15,830	19,627	(10,725)
	13,456		\$1,806,626	\$716,537	\$2,264,308	\$478,675	\$726,494	\$2,733,026	\$3,459,520	\$(865,715)
Unencumbered Communities										
Alessio	624	Los Angeles, CA	—	32,136	128,543	9,979	32,136	138,522	170,658	(25,383)
Allegro	97	Valley Village, CA	—	5,869	23,977	2,304	5,869	26,281	32,150	(9,394)
Allure at Scripps Ranch	194	San Diego, CA	—	11,923	47,690	1,394	11,923	49,084	61,007	(8,699)
Alpine Village	301	Alpine, CA	—	4,967	19,728	8,602	4,982	28,315	33,297	(15,526)
Anavia	250	Anaheim, CA	—	15,925	63,712	7,985	15,925	71,697	87,622	(19,857)
Annaliese	56	Seattle, WA	—	4,727	14,229	613	4,726	14,843	19,569	(3,047)
Apex	366	Milpitas, CA	—	44,240	103,251	3,321	44,240	106,572	150,812	(15,479)
Aqua Marina Del Rey	500	Marina Del Rey, CA	—	58,442	175,326	13,232	58,442	188,558	247,000	(35,960)
Ascent	90	Kirkland, WA	—	3,924	11,862	2,014	3,924	13,876	17,800	(3,547)

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 (Dollars in thousands)

Property	Apartment Homes	Location	Encumbrances	Costs		Accumulated depreciation	Date of construction	Date acquired	Lives (years)			
				Initial cost	Gross amount capitalized at close of period							
			Buildings and	Improvements	Buildings and	Total						
			land	acquired	improvements	(1)						
Ashton Sherman Village	264	Los Angeles, CA	—	23,350	1,489	23,550	17,850	77	2014	Dec-16	3-30	
Avant	440	Los Angeles, CA	—	32,379	40,949	32,379	23,889	72,268	45	2014	Jun-15	3-30
Avenue 64	224	Emeryville, CA	—	27,435	14,377	27,435	106,015	15,015	2007	Apr-14	5-30	
Aviara (4)	166	Mercer Island, WA	—	49,813	1,063	50,876	50,876	8,998	2013	Apr-14	5-30	
Axis 2300	115	Irvine, CA	—	5,305	851,674	5,305	2594,664	2,342	2010	Aug-10	3-30	
Bella Villagio	231	San Jose, CA	—	17,047	433,540	17,047	248,836	1,813	2004	Sep-10	3-30	
Bellerive	63	Los Angeles, CA	—	5,201	803,118	5,201	992,303	962	2011	Aug-11	3-30	
Belmont Terrace	71	Belmont, CA	—	4,406	290,694	4,406	209,216	82	1974	Oct-06	3-30	
Bennett Lofts	165	San Francisco, CA	—	21,578	100,296	21,578	73,872	102,243	2004	Dec-12	3-30	
Bernardo Crest	216	San Diego, CA	—	10,802	293,665	10,802	274,576	76,539	1988	Apr-14	5-30	
Bonita Cedars	120	Bonita, CA	—	2,996	13,516	2,996	10,661	7,569	1983	Dec-02	3-30	
Boulevard	172	Fremont, CA	—	3,820	82,138	3,820	80,982	25,567	1978	Jan-96	3-30	
Bridle Trails	108	Kirkland, WA	—	1,500	30,615	1,500	31,053	13,584	1986	Oct-97	3-30	
Brighton Ridge	264	Renton, WA	—	2,603	800,548	2,603	652,531	18,909	1986	Dec-96	3-30	
Bristol Commons	188	Sunnyvale, CA	—	5,278	539,275	5,278	1,102,404	14,211	1989	Jan-95	3-30	
416 on Broadway	115	Glendale, CA	—	8,537	235,297	8,537	208,457	60,982	2009	Dec-10	3-30	
Bunker Hill	456	Los Angeles, CA	—	11,279	871,839	11,279	1,639,702	23,854	1968	Mar-98	3-30	
Camarillo Oaks	564	Camarillo, CA	—	10,952	547,791	10,952	923,433	903,428	1985	Jul-96	3-30	
Cambridge Park	320	San Diego, CA	—	18,285	392,974	18,285	751,393	803,776	1998	Apr-14	5-30	
Camino Ruiz Square	159	Camarillo, CA	—	6,861	119,965	6,861	231,024	34,965	1990	Dec-06	3-30	
Canyon Oaks	250	San Ramon, CA	—	19,088	734,232	19,088	805,677	99,542	2005	May-07	3-30	
Canyon Pointe	250	Bothell, WA	—	4,682	288,142	4,682	342,931	1,224	1990	Oct-03	3-30	
Capri at Sunny Hills	102	Fullerton, CA	—	3,337	209,319	3,337	248,928	25,973	1961	Sep-01	3-30	
Carmel Landing	356	San Diego, CA	—	16,625	17,589	16,625	672,490	1,213	1989	Apr-14	5-30	
Carmel Summit	246	San Diego, CA	—	14,968	13,514	14,968	68,857	361,342	1989	Apr-14	5-30	

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Castle Creek	216	Newcastle, WA	—	4,169,028	4,500,833	844,246	773,953	1998	Dec-98	3-30
Catalina Gardens	128	Los Angeles, CA	—	6,264,856	1,485,728	341,350	55,018	1987	Apr-14	5-30
CBC Apartments & The Sweeps	239	Goleta, CA	—	14,832,065	1,590,811	63,712	4,758	1962	Jan-06	3-30
Cedar Terrace	180	Bellevue, WA	—	5,163,442	7,214,652	547,291	91,598	1984	Jan-05	3-30
CentrePointe	224	San Diego, CA	—	3,407,432	21,353,442	2,060,325	128,300	1974	Jun-97	3-30
Chestnut Street Apartments	96	Santa Cruz, CA	—	6,582,689	1,995,587	268,424	266,512	2002	Jul-08	3-30
Collins on Pine	76	Seattle, WA	—	7,226,226	328	7,276,554	29,880	2013	May-14	3-30

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
 ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
 FINANCIAL STATEMENT SCHEDULE III
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 2018
 (Dollars in thousands)

Property	Apartment Homes	Location	Encumbrances	Costs		Accrued Depreciation	Date of Construction acquired	Lives (years)
				Initial cost	Gross amount capitalized at close of period			
				Buildings and improvements to and acquired	Buildings and improvements to and acquired	Total (1)		
Corbella at Juanita Bay	169	Kirkland, WA	—	5,870,415	15,801,580	6,381,279	1978	Nov-10 3-30
Cortesia	308	Rancho Santa Margarita, CA	—	13,562,492	25,381,247	10,430,999	1999	Apr-14 5-30
Country Villas	180	Oceanside, CA	—	4,165,835	12,764,258	3,951,976	1976	Dec-02 3-30
Crow Canyon	400	San Ramon, CA	—	3,737,689	9,893,757	5,935,158	1992	Apr-14 5-30
Deer Valley	171	San Rafael, CA	—	2,507,816	6,482,154	2,789,075	1996	Apr-14 5-30
Delano	126	Redmond, WA	—	7,275,111	11,330,470	4,313,351	2005	Dec-11 3-30
Devonshire	276	Hemet, CA	—	3,437,086	9,993,482	7,622,240	1988	Dec-02 3-30
Ellington	220	Bellevue, WA	—	1,664,953	5,548,678	43,850	1994	Jul-14 3-30
Emerald Pointe	160	Diamond Bar, CA	—	8,438,321	21,869,458	7,044,169	1989	Apr-14 5-30
Emerald Ridge	180	Bellevue, WA	—	3,748,011	5,873,449	6,727,112	1987	Nov-94 3-30
Emerson Valley Village	144	Los Angeles, CA	—	13,328,008	13,378,487	1,038,612	2012	Dec-16 3-30
Enso	183	San Jose, CA	—	2,739,751	4,901,729	2,940,228	2014	Dec-15 3-30
Esplanade	278	San Jose, CA	—	1,807,863	5,485,429	6,717,902	2002	Apr-04 3-30
Essex Skyline	349	Santa Ana, CA	—	2,156,799	3,121,537	4,124,959	2008	Apr-10 3-30
Evergreen Heights	200	Kirkland, WA	—	3,566,956	9,028,649	3,382,987	1990	Jun-97 3-30
Fairway Apartments at Big Canyon ⁽⁵⁾	74	Newport Beach, CA	—	-7,850	7,923-15,773	5,710,711	1972	Jun-99 3-28
Fairwood Pond	194	Renton, WA	—	5,295,664	8,806,297	3,634,660	1997	Oct-04 3-30
Foothill Commons	394	Bellevue, WA	—	2,432,139	8,240,628	2,042,805	1978	Mar-90 3-30
Foothill Gardens/Twin Creeks	176	San Ramon, CA	—	5,839,921	20,863,247	7,060,676	1985	Feb-97 3-30
Forest View	192	Renton, WA	—	3,745,530	8,843,731	3,731,109	1998	Oct-03 3-30
Fountain Court	320	Seattle, WA	—	6,203,062	2,288,566	4,246,952	2000	Mar-00 3-30
Fourth & U	171	Berkeley, CA	—	8,829,513	228,879	764,418	2010	Apr-10 3-30
Fox Plaza	445	San Francisco, CA	—	3,230,628	9,961,731	7,061,427	2008	Feb-13 3-30
The Henley I/The Henley II	215	Glendale, CA	—	6,695,532	26,648,333	630,092	1970	Jun-99 3-30
Hillsdale Garden	697	San Mateo, CA	—	2,008,123	22,221,000	1,891,538	1948	Sep-06 3-30
Hope Ranch	108	Santa Barbara, CA	—	4,068,772	9,141,298	6,623,870	1965	Mar-07 3-30
Joule	295	Seattle, WA	—	1,653,874	7,872,475	5,888,827	2010	Mar-10 3-30

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Kings Road	196	Los Angeles, CA	—	4,053,719,141,081,690,725,924,979	Jun-97	3-30
Lafayette Highlands	150	Lafayette, CA	—	17,743,773,747,462,028,831,973	Apr-14	5-30
Lakeshore Landing	308	San Mateo, CA	—	38,528,168,965,943,418,941,988	Apr-14	5-30
Laurels at Mill Creek	164	Mill Creek, WA	—	1,638,722,595,625,297,827,1981	Dec-96	3-30

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
 ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
 FINANCIAL STATEMENT SCHEDULE III
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 2018
 (Dollars in thousands)

Property	Apartment Homes	Location	Encumbrances	Initial cost	Costs		Accumulated depreciation	Date of construction acquired	Date	Lives (years)							
					Gross amount capitalized at close of period	Buildings and improvements to and Total (1)											
Lawrence Station	336	Sunnyvale, CA	—	45,106	27,735	5,530	45,106	26,553	729,222	2012	Apr-14	5-30					
Le Parc	140	Santa Clara, CA	—	3,090	21	12,693	3,090	11,323	2,055	581,975	1975	Feb-94	3-30				
Marbrisa	202	Long Beach, CA	—	4,700	605	9,216	4,700	761	32,501	5,568	1987	Sep-02	3-30				
Marina City Club ⁽⁶⁾	101	Marina Del Rey, CA	—	—	28,167	29,030	—	57,197	57,197	1,076	1,379	1971	Jan-04	3-30			
Marina Cove ⁽⁷⁾	292	Santa Clara, CA	—	5,320	431	15,312	5,320	324	7,393	7,062	3,199	1974	Jun-94	3-30			
Mariner's Place	105	Oxnard, CA	—	1,555	503	2,464	1,555	362	160	10,102	2,668	1987	May-00	3-30			
MB 360	360	San Francisco, CA	—	211	421	3,762	211	421	29,047	27,021	8,126	4,814	2014	Apr-14	3-30		
Mesa Village	133	Clairemont, CA	—	1,888	898	2,336	1,888	898	28	11,702	2,120	1963	Dec-02	3-30			
Mill Creek at Windermere	400	San Ramon, CA	—	296	550	325	296	550	2,452	2,754	4,841	104,025	072	2005	Sep-07	3-30	
Mio	103	San Jose, CA	—	113	91	282	113	91	243	8	11,401	2,205	1,402	2015	Jan-16	3-30	
Mirabella	188	Marina Del Rey, CA	—	6,280	673	16,128	6,280	673	16,128	271	148,982	24,502	2000	May-00	3-30		
Mira Monte	354	Mira Mesa, CA	—	7,285	459	11,509	7,285	459	186	94	747	1,023	7,371	1982	Dec-02	3-30	
Miracle Mile/Marbella	236	Los Angeles, CA	—	7,291	1,075	14,830	7,291	1,075	14,830	876	810	45,602	26,268	1988	Aug-97	3-30	
Mission Hills	282	Oceanside, CA	—	103	897	787,820	103	897	10,465	3,056	6,072	2,211	1984	Jul-05	3-30		
Mission Peaks	453	Fremont, CA	—	461	084	498,275	461	084	498	149	778	61,072	3,321	1995	Apr-14	5-30	
Mission Peaks II	336	Fremont, CA	—	317	429	345,549	317	429	345	549	1,782	983	110,814	2,566	1989	Apr-14	5-30
Montclair	390	Sunnyvale, CA	—	4,842	776	26,772	4,842	776	26,772	967	3,935	1,300	0,215	1973	Dec-88	3-30	
Monterey Villas	122	Oxnard, CA	—	2,349	579	6,723	2,349	579	6,723	4,221	2,271	14,667	1,958	1974	Jul-97	3-30	
Muse	152	North Hollywood, CA	—	7,822	436	3,201	7,822	436	3,201	833	636	44,459	2,602	2011	Feb-11	3-30	
Museum Park	117	San Jose, CA	—	133	263	448	133	263	448	1,642	1,338	9,904	7,864	180	2002	Apr-14	5-30
Palm Valley	1,098	San Jose, CA	—	133	180	208,537	133	180	208	537	33,800	242	5,621	4,720	2008	Jan-17	3-30
Paragon Apartments	301	Fremont, CA	—	327	362	201,553	327	362	201	553	2,730	731	111,103	932	2013	Jul-14	3-30
Park Catalina	90	Los Angeles, CA	—	4,718	839	3,224	4,718	839	3,224	2,006	326	7,053	926	2002	Jun-12	3-30	
Park Hill at Issaquah	245	Issaquah, WA	—	7,284	493	78,668	7,284	493	78,668	284	605	37,884	1,860	1999	Feb-99	3-30	
Park Viridian	320	Anaheim, CA	—	156	893	743,302	156	893	743	302	5,698	768	2,771	2,092	2008	Apr-14	5-30
Park West	126	San Francisco, CA	—	9,424	498	12,288	9,424	498	12,288	424	2,764	3,700	855	1958	Sep-12	3-30	

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Parkwood at Mill Creek	240	Mill Creek, WA	—	10,428,722,808	10,428,722,808	10,428,722,808	10,428,722,808	10,428,722,808	10,428,722,808	Apr-14	5-30
Pathways at Bixby Village	296	Long Beach, CA	—	4,083,757,209,936	4,083,757,209,936	4,083,757,209,936	4,083,757,209,936	4,083,757,209,936	4,083,757,209,936	Feb-91	3-30
Piedmont	396	Bellevue, WA	—	19,584,606,119,770	19,584,606,119,770	19,584,606,119,770	19,584,606,119,770	19,584,606,119,770	19,584,606,119,770	May-14	3-30
Pinehurst ⁽⁸⁾	28	Ventura, CA	—	—1,711 648	—1,711 648	—1,711 648	—1,711 648	—1,711 648	—1,711 648	Dec-04	3-24
Pinnacle Sonata	268	Bothell, WA	—	14,584,586,398	14,584,586,398	14,584,586,398	14,584,586,398	14,584,586,398	14,584,586,398	Apr-14	5-30
Pointe at Cupertino	116	Cupertino, CA	—	4,305,605,121,825	4,305,605,121,825	4,305,605,121,825	4,305,605,121,825	4,305,605,121,825	4,305,605,121,825	Aug-98	3-30

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
 ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
 FINANCIAL STATEMENT SCHEDULE III
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 2018
 (Dollars in thousands)

Property	Apartment Homes	Location	Encumbrances	Costs		Accumulated depreciation	Date of construction	Date acquired	Lives (years)
				Initial cost	Gross amount capitalized at close of period				
			Buildings and	Buildings and	Buildings and	Total			
			Improvements	Improvements	Improvements	depreciation			
Radius	264	Redwood City, CA	—	11,702,362	11,702,658	64,850,282	2015	Apr-14	3-30
Reed Square	100	Sunnyvale, CA	—	6,870,378	6,873,311	131,184,840	1970	Jan-12	3-30
Regency at Encino	75	Encino, CA	—	3,184,737	3,615,184	352,195,006	1989	Dec-09	3-30
Renaissance at Uptown Orange	460	Orange, CA	—	27,870,482	29,952,870	441,448,001	2007	Apr-14	5-30
Reveal	438	Woodland Hills, CA	—	25,073,314	25,462,507	776,478,849	2010	Apr-15	3-30
Salmon Run at Perry Creek	132	Bothell, WA	—	3,717,483	2,502,801	901,177,082	2000	Oct-00	3-30
Sammamish View	153	Bellevue, WA	—	3,325,017	7,056,334	1,550,178,812	1986	Nov-94	3-30
101 San Fernando	323	San Jose, CA	—	4,589,961	11,774,173	734,749,023	2001	Jul-10	3-30
San Marcos	432	Richmond, CA	—	15,662,043	2,572,866	673,843,391	2003	Nov-03	3-30
Santee Court/Santee Village	238	Los Angeles, CA	—	9,403,179	2,296,582	612,591,044	2004	Oct-10	3-30
Shadow Point	172	Spring Valley, CA	—	2,812,703	8,802,820	964,177,681	1983	Dec-02	3-30
Shadowbrook	418	Redmond, WA	—	19,292,685	5,001,198	2,269,101,464	1986	Apr-14	5-30
Slater 116	108	Kirkland, WA	—	7,329,138	916,737	205,430,403	2013	Sep-13	3-30
Solstice	280	Sunnyvale, CA	—	34,474,263	6,603,452	1,865,878,009	2014	Apr-14	5-30
Station Park Green - Phase I	121	San Mateo, CA	—	14,825,255	14,824,409	8,002,896	2018	Mar-18	3-30
Stonehedge Village	196	Bothell, WA	—	3,187,603	7,125,201	694,228,095	1986	Oct-97	3-30
Summit Park	300	San Diego, CA	—	5,296,707	5,507,977	1,593,718,866	1972	Dec-02	3-30
Taylor 28	197	Seattle, WA	—	15,975,002	2,913,136	1,613,745,280	2008	Apr-14	5-30
The Avery	121	Los Angeles, CA	—	6,209,224	6,904,381	137,345,867	2014	Mar-14	3-30
The Bernard	63	Seattle, WA	—	3,699,845	3,682,070	15,769,068	2008	Sep-11	3-30
The Cairns	99	Seattle, WA	—	6,207,679	1,965,932	642,295,881	2006	Jun-07	3-30
The Commons	264	Campbell, CA	—	12,935,078	4,681,257	745,381,683	1973	Jul-10	3-30
The Elliot at Mukilteo	301	Mukilteo, WA	—	2,408,595	16,549,826	818,296,419	1981	Jan-97	3-30
The Grand	243	Oakland, CA	—	4,892,087	13,145,961	339,100,874	2009	Jan-09	3-30
The Hallie	292	Pasadena, CA	—	2,407,294	54,028,382	640,610,250	1972	Apr-97	3-30

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The Lofts at Pinehurst	118	Ventura, CA	—	1,579,125	5,102,619	666	10,584,728	1971	Jun-97	3-30
The Palisades	192	Bellevue, WA	—	1,560,422	13,055,565	292	20,857,842	1977	May-90	3-30
The Stuart	188	Pasadena, CA	—	1,547,298	2,321,135	576	1,970,100	2007	Apr-14	5-30
The Trails of Redmond	423	Redmond, WA	—	2,189,302	205,006	219	2,026,114	1985	Apr-14	5-30
Tierra Vista	404	Oxnard, CA	—	1,565,336	5,415,135	567	4,272,409	2001	Jan-01	3-30
Tiffany Court	101	Los Angeles, CA	—	6,247,961	1,687,929	483	3,482,263	1987	Apr-14	5-30
Trabuco Villas	132	Lake Forest, CA	—	3,638,140	3,643,892	103	115,908	1985	Oct-97	3-30

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
 ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
 FINANCIAL STATEMENT SCHEDULE III
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 2018
 (Dollars in thousands)

Property	Apartment Homes	Location	Initial cost Land and encumbrance	Buildings and improvements	Costs capitalized subsequent to acquisition	Gross amount carried at close of period			Accumulated depreciation	Date construction began
						Land and improvements	Buildings and improvements	Total ⁽¹⁾		
Via	284	Sunnyvale, CA	—22,000	82,270	2,908	22,016	85,162	107,178	(24,816)	)2011
Villa Siena	272	Costa Mesa, CA	—13,842	55,367	7,249	13,842	62,616	76,458	(11,592)	)1974
Village Green	272	La Habra, CA	—6,488	36,768	3,826	6,488	40,594	47,082	(7,652)	)1971
Vista Belvedere	76	Tiburon, CA	—5,573	11,901	8,708	5,573	20,609	26,182	(11,033)	)1963
Vox Apartments	58	Seattle, WA	—5,545	16,635	271	5,545	16,906	22,451	(2,936)	)2013
Walnut Heights	163	Walnut, CA	—4,858	19,168	5,383	4,887	24,522	29,409	(12,592)	)1964
Wharfside Pointe	155	Seattle, WA	—2,245	7,020	12,046	2,258	19,053	21,311	(13,796)	)1990
Willow Lake	508	San Jose, CA	—43,194	101,030	14,040	43,194	115,070	158,264	(27,006)	)1989
5600 Wilshire	284	Los Angeles, CA	—30,535	91,604	2,258	30,535	93,862	124,397	(16,636)	)2008
Wilshire La Brea	478	Los Angeles, CA	—56,932	211,998	10,929	56,932	222,927	279,859	(44,801)	)2014
Windsor Ridge	216	Sunnyvale, CA	—4,017	10,315	16,659	4,021	26,970	30,991	(21,175)	)1989
Woodland Commons	302	Bellevue, WA	—2,040	8,727	23,306	2,044	32,029	34,073	(20,855)	)1978
Woodside Village	145	Ventura, CA	—5,331	21,036	4,179	5,341	25,205	30,546	(12,674)	)1987
	35,592		\$ \$1,923,612	\$6,604,680	\$1,352,987	\$1,970,554	\$7,910,725	\$9,881,279	\$(2,329,714)	

Property	Square Footage	Location	Initial cost Land and encumbrance	Buildings and improvements	Costs capitalized subsequent to acquisition	Gross amount carried at close of period			Accumulated depreciation	Date construction began
						Land and improvements	Buildings and improvements	Total ⁽¹⁾		

Other
real
estate
assets

Derian
Office
Building

106,716	Irvine, CA	—	3,079	12,315	9,908	4,308	20,994	25,302	(14,119	) 19
106,716		\$—	\$3,079	\$12,315	\$9,908	\$4,308	\$20,994	\$25,302	\$(14,119)

Total \$1,806,626 \$2,643,228 \$8,881,303 \$1,841,570 \$2,701,356 \$10,664,745 \$13,366,101 \$(3,209,548)

- (1) The aggregate cost for federal income tax purposes is approximately \$10.3 billion (unaudited).
- (2) A portion of land is leased pursuant to a ground lease expiring 2070.
- (3) The land is leased pursuant to a ground lease expiring 2082.
- (4) The land is leased pursuant to a ground lease expiring 2070.
- (5) The land is leased pursuant to a ground lease expiring 2027.
- (6) The land is leased pursuant to a ground lease expiring 2067.
- (7) A portion of land is leased pursuant to a ground lease expiring in 2028.
- (8) The land is leased pursuant to a ground lease expiring in 2028.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(Dollars in thousands)

A summary of activity for rental properties and accumulated depreciation is as follows:

	2018	2017	2016		2018	2017	2016
Rental properties:				Accumulated depreciation:			
Balance at beginning of year	\$ 13,362,073	\$ 12,687,722	\$ 12,338,129	Balance at beginning of year	\$ 2,769,297	\$ 2,311,546	\$ 1,949,892
Acquisition, development, and improvement of real estate	325,986	700,892	609,669	Depreciation expense	478,721	464,043	432,165
Disposition of real estate and other	(321,958)	(28,367)	(264,832)	Depreciation expense - Disposals and other	(38,470)	(6,292)	(70,511)
Reclassification from other assets and into building and improvements, net	—	1,826	4,756	Balance at the end of year	\$ 3,209,548	\$ 2,769,297	\$ 2,311,546
Balance at the end of year	\$ 13,366,101	\$ 13,362,073	\$ 12,687,722				

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EXHIBIT INDEX

Exhibit Document
No.

- 3.1 Articles of Amendment and Restatement of Essex Property Trust, Inc., attached as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed May 23, 2016, and incorporated herein by reference.
- 3.2 Sixth Amended and Restated Bylaws of Essex Property Trust, Inc. (as of February 21, 2017), attached as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed February 27, 2017, and incorporated herein by reference.
- 3.3 First Amendment to Sixth Amended and Restated Bylaws of Essex Property Trust, Inc., dated February 20, 2018, attached as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed February 21, 2018, and incorporated herein by reference.
- 3.4 Certificate of Limited Partnership of Essex Portfolio, L.P. and amendments thereto.
- 4.1 Indenture, dated August 15, 2012, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 3.625% Senior Notes due 2022 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed August 15, 2012, and incorporated herein by reference.
- 4.2 Indenture, dated April 15, 2013, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 3.25% Senior Notes due 2023 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 15, 2013, and incorporated herein by reference.
- 4.3 Form of Common Stock Certificate of Essex Property Trust, Inc., filed as Exhibit 4.5 to the Company's Form S-4 Registration Statement, filed January 29, 2014, and incorporated herein by reference.
- 4.4 Indenture governing 5.500% Senior Notes due 2017, dated April 4, 2014, by and among Essex Portfolio, L.P., Essex Property Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 5.500% Senior Notes due 2017, attached as Exhibit 4.1 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
- 4.5 Indenture governing 5.200% Senior Notes due 2021, dated April 4, 2014, by and among Essex Portfolio, L.P., Essex Property Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 5.200% Senior Notes due 2021, attached as Exhibit 4.2 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
- 4.6 Indenture governing 3.375% Senior Notes due 2023, dated April 4, 2014, by and among Essex Portfolio, L.P., Essex Property Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 3.375% Senior Notes due 2023, attached as Exhibit 4.3 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
- 4.7 Indenture, dated April 15, 2014, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 3.875% Senior Notes due 2024 and the guarantee thereof, attached as Exhibit 4.1 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 16,

2014, and incorporated herein by reference.

4.8 Indenture, dated March 17, 2015, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 3.500% Senior Notes due 2025 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed March 17, 2015, and incorporated herein by reference.

4.9 Indenture, dated April 11, 2016, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of the 3.375% Senior Notes due 2026 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 11, 2016, and incorporated herein by reference.

4.10 Indenture, dated April 10, 2017, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of the 3.625% Senior Notes due 2027 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 10, 2017, and incorporated herein by reference.

4.11 Indenture, dated March 8, 2018, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of the 4.500% Senior Notes due 2048 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed March 8, 2018, and incorporated herein by reference.

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4.12 Indenture, dated February 11, 2019, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 4.000% Senior Notes due 2029 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed February 11, 2019, and incorporated herein by reference.

10.1 Agreement between Essex Property Trust, Inc. and George M. Marcus, dated March 27, 2003 attached as Exhibit 10.32 to the Company's Form 10-K for the year ended December 31, 2002, and incorporated herein by reference.

10.2 Essex Property Trust, Inc. 2004 Stock Incentive Plan, attached as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, and incorporated herein by reference.*

10.3 BRE Properties, Inc. 2005 Amended and Restated Deferred Compensation Plan (assumed by Essex Property Trust, Inc.), as amended on each of May 18, 2010, November 17, 2014 and December 9, 2016.*

10.4 Form of Indemnification Agreement between Essex Property Trust, Inc. and its directors and officers.*

10.5 Note Purchase Agreement, dated as of June 30, 2011, among Essex Portfolio, L.P., Essex Property Trust, Inc. and the purchasers of the notes party thereto (including the forms of the 4.50% Senior Guaranteed Notes, Series A, due September 30, 2017, and the 4.92% Senior Guaranteed Notes, Series B, due December 30, 2019), attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 5, 2011, and incorporated herein by reference. †

10.6 Note Purchase Agreement, dated as of March 14, 2012, among Essex Portfolio, L.P., the Company and the purchasers of the notes party thereto (including the forms of the 4.27% Senior Guaranteed Notes, Series C, due April 30, 2021, the 4.30% Senior Guaranteed Notes, Series D, due June 29, 2021, and the 4.37% Senior Guaranteed Notes, Series E, due August 30, 2021), attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on March 20, 2012, and incorporated herein by reference. †

10.7 Modification Agreement, dated July 30, 2012, attached as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, and incorporated herein by reference.

10.8 Amendment to Agreement, dated as of September 11, 2012, between the Company and George Marcus, attached as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, and incorporated herein by reference.

10.9 Essex Property Trust, Inc. Executive Severance Plan (as Amended and Restated effective March 12, 2013), attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 18, 2013, and incorporated herein by reference.*

10.10 Essex Property Trust, Inc. 2013 Stock Award and Incentive Compensation Plan, attached as Appendix B to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 14, 2013, filed April 1, 2013, and incorporated herein by reference.*

10.11 Essex Property Trust, Inc. 2013 Employee Stock Purchase Plan, attached as Appendix C to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 14, 2013, filed April 1, 2013, and incorporated herein by reference.*

10.12

Forms of equity award agreements for officers under the 2013 Stock Award and Incentive Compensation Plan, attached as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference.*

10.13 Amended and Restated Non-Employee Director Equity Award Program, dated May 17, 2016, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed May 23, 2016, and incorporated herein by reference.*

10.14 Fourth Amended and Restated Agreement of Limited Partnership of Essex Portfolio, L.P., dated as of December 20, 2018.

10.15 Third Modification Agreement, dated as of January 29, 2014 by and among Essex Portfolio, L.P., U.S. Bank National Association, as Administrative Agent and Lender and the other lenders party thereto, attached as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed January 31, 2014, and incorporated herein by reference.

10.16 BRE Properties, Inc. 1999 Stock Incentive Plan (assumed by Essex Property Trust, Inc.), attached as Exhibit 99.1 to Essex Property Trust, Inc.'s Registration Statement on Form S-8, filed April 1, 2014, and incorporated herein by reference.*

10.17 BRE Properties, Inc. Fifth Amended and Restated Non-Employee Stock Option and Restricted Stock Plan (assumed by Essex Property Trust, Inc.), attached as Exhibit 99.2 to Essex Property Trust, Inc.'s Registration Statement on Form S-8, filed April 1, 2014, and incorporated herein by reference.*

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- 10.18 Forms of Essex Property Trust, Inc., Essex Portfolio L.P., Long-Term Incentive Plan Award Agreements, attached as Exhibit 10.28 to the Company's Annual Report on Form 10-K, filed March 2, 2015, and incorporated herein by reference.*
- 10.19 Terms Agreement dated as of May 20, 2015, among Essex Property Trust, Inc. and Citigroup Global Markets Inc., attached as Exhibit 1.1 to the Company's Current Report on Form 8-K, filed May 26, 2015, and incorporated herein by reference.
- 10.20 Second Amended and Restated Revolving Credit Agreement, dated as of January 17, 2018, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and other lenders party thereto, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 18, 2018, and incorporated herein by reference.
- 10.21 First Amendment to Second Amended and Restated Revolving Credit Agreement, dated as of January 11, 2019, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and other lenders party thereto.
- 10.22 Essex Property Trust, Inc. 2018 Stock Award and Incentive Compensation Plan, attached as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 15, 2018, filed March 23, 2018, and incorporated herein by reference.*
- 10.23 Form of Non-Employee Director Restricted Stock Award Agreement, attached as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed August 3, 2018, and incorporated herein by reference.*
- 10.24 Form of Non-Employee Director Stock Option Award Agreement, attached as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed August 3, 2018, and incorporated herein by reference.*
- 10.25 Forms of Essex Property Trust, Inc. 2018 Long-Term Incentive Award Agreements pursuant to the 2018 Stock Award and Incentive Compensation Plan.*
- 10.26 Executive Transition Services Agreement, dated December 19, 2018, by and between Essex Property Trust, Inc. and John D. Eudy, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 19, 2018.*
- 21.1 List of Subsidiaries of Essex Property Trust, Inc. and Essex Portfolio, L.P.
- 23.1 Consent of KPMG LLP, Independent Registered Public Accounting Firm.
- 23.2 Consent of KPMG LLP, Independent Registered Public Accounting Firm.
- 24.1 Power of Attorney (see signature page)
- 31.1 Certification of Michael J. Schall, Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Angela L. Kleiman, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3

Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.4 Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Michael J. Schall, Principal Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Angela L. Kleiman, Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.4 Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

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101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

† The schedules and certain exhibits to this agreement, as set forth in the agreement, have not been filed herewith. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Mateo, State of California, on February 21, 2019.

ESSEX PROPERTY TRUST, INC.

By: /S/ ANGELA L. KLEIMAN

Angela L. Kleiman

Executive Vice President, Chief Financial Officer

(Authorized Officer, Principal Financial Officer)

By: /S/ JOHN FARIAS

John Farias

Senior Vice President, Chief Accounting Officer

ESSEX PORTFOLIO, L.P.

By: Essex Property Trust, Inc., its general partner

By: /S/ ANGELA L. KLEIMAN

Angela L. Kleiman

Executive Vice President, Chief Financial Officer

(Authorized Officer, Principal Financial Officer)

By: /S/ JOHN FARIAS

John Farias

Senior Vice President, Chief Accounting Officer

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KNOWN ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael J. Schall and Angela L. Kleiman, and each of them, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

Signature	Title	Date
/S/ MICHAEL J. SCHALL Michael J. Schall	Chief Executive Officer and President, and Director (Principal Executive Officer)	February 21, 2019
/S/ KEITH R. GUERICKE Keith R. Guericke	Director, and Vice Chairman of the Board	February 21, 2019
/S/ GEORGE M. MARCUS George M. Marcus	Director and Chairman of the Board	February 21, 2019
/S/ AMAL M. JOHNSON Amal M. Johnson	Director	February 21, 2019
/S/ MARY KASARIS Mary Kasaris	Director	February 21, 2019
/S/ IRVING F. LYONS, III Irving F. Lyons, III	Director	February 21, 2019
/S/ THOMAS E. ROBINSON Thomas E. Robinson	Director	February 21, 2019
/S/ BYRON A. SCORDELIS Byron A. Scordelis	Director	February 21, 2019
/S/ JANICE L. SEARS Janice L. Sears	Director	February 21, 2019