

EQUITY RESIDENTIAL  
Form 10-Q  
November 05, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended SEPTEMBER 30, 2009**

**OR**

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

**For the transition period from to**

**Commission File Number: 1-12252**

**EQUITY RESIDENTIAL**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

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

**Two North Riverside Plaza, Chicago, Illinois**  
(Address of principal executive offices)

**60606**  
(Zip Code)

**(312) 474-1300**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on October 29, 2009 was 276,144,161.

## EQUITY RESIDENTIAL

## CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share amounts)

(Unaudited)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
Investment in real estate		
Land	\$ 3,629,701	\$ 3,671,299
Depreciable property	13,755,610	13,908,594
Projects under development	753,831	855,473
Land held for development	239,158	254,873
Investment in real estate	18,378,300	18,690,239
Accumulated depreciation	(3,785,198)	(3,561,300)
Investment in real estate, net	14,593,102	15,128,939
Cash and cash equivalents	637,588	890,794
Investments in unconsolidated entities	4,616	5,795
Deposits restricted	360,022	152,732
Escrow deposits mortgage	18,954	19,729
Deferred financing costs, net	50,438	53,817
Other assets	126,676	283,304
<b>Total assets</b>	<b>\$ 15,791,396</b>	<b>\$ 16,535,110</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgage notes payable	\$ 4,885,560	\$ 5,036,930
Notes, net	4,949,560	5,447,012
Lines of credit	-	-
Accounts payable and accrued expenses	131,730	108,463
Accrued interest payable	72,970	113,846
Other liabilities	264,221	289,562
Security deposits	60,517	64,355
Distributions payable	100,230	141,843
<b>Total liabilities</b>	<b>10,464,788</b>	<b>11,202,011</b>
<i>Commitments and contingencies</i>		
<b>Redeemable Noncontrolling Interests</b>	<b>236,333</b>	<b>264,394</b>
<b>Operating Partnership</b>		
Equity:		
Shareholders' equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares authorized; 1,950,925 shares issued and outstanding as of September 30, 2009 and 1,951,475 shares issued and outstanding as of December 31, 2008	208,773	208,786
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 276,147,420 shares issued and outstanding as of September 30, 2009 and 272,786,760 shares issued and outstanding	2,761	2,728

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as of December 31, 2008		
Paid in capital	4,364,503	4,273,489
Retained earnings	405,250	456,152
Accumulated other comprehensive loss	(21,636)	(35,799)
Total shareholders' equity	4,959,651	4,905,356
Noncontrolling Interests:		
Operating Partnership	118,332	137,645
Preference Interests and Units	-	184
Partially Owned Properties	12,292	25,520
Total Noncontrolling Interests	130,624	163,349
<b>Total equity</b>	<b>5,090,275</b>	<b>5,068,705</b>
<b>Total liabilities and equity</b>	<b>\$ 15,791,396</b>	<b>\$ 16,535,110</b>

See accompanying notes

## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands except per share data)

(Unaudited)

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2009	2008	2009	2008
<b>REVENUES</b>				
Rental income	\$ 1,471,383	\$ 1,485,814	\$ 490,104	\$ 508,619
Fee and asset management	7,928	7,397	2,653	2,387
Total revenues	1,479,311	1,493,211	492,757	511,006
<b>EXPENSES</b>				
Property and maintenance	374,067	389,042	125,904	134,658
Real estate taxes and insurance	161,777	153,317	55,743	52,039
Property management	56,457	59,587	18,725	18,920
Fee and asset management	5,916	6,154	1,931	1,983
Depreciation	438,726	417,662	147,477	145,382
General and administrative	30,476	34,040	9,881	9,849
Impairment	11,124	-	-	-
Total expenses	1,078,543	1,059,802	359,661	362,831
Operating income	400,768	433,409	133,096	148,175
Interest and other income	15,854	11,038	3,215	2,871
Other expenses	(2,228)	(2,886)	(1,922)	(2,106)
Interest:				
Expense incurred, net	(361,085)	(361,125)	(121,520)	(122,345)
Amortization of deferred financing costs	(9,614)	(6,748)	(3,394)	(2,410)
Income before income and other taxes, (loss) income from investments in unconsolidated entities, net gain on sales of unconsolidated entities and land parcels and discontinued operations	43,695	73,688	9,475	24,185
Income and other tax (expense) benefit	(2,846)	(5,937)	(459)	(1,317)
(Loss) income from investments in unconsolidated entities	(2,372)	60	(151)	250
Net gain on sales of unconsolidated entities	6,718	-	3,959	-
Net gain on sales of land parcels	-	2,976	-	2,976
Income from continuing operations	45,195	70,787	12,824	26,094
Discontinued operations, net	289,523	403,859	130,541	161,031
Net income	334,718	474,646	143,365	187,125
Net (income) loss attributable to Noncontrolling Interests:				
Operating Partnership	(18,119)	(28,622)	(7,699)	(11,141)
Preference Interests and Units	(9)	(11)	(2)	(4)
Partially Owned Properties	391	(1,765)	317	(106)
Net income attributable to controlling interests	316,981	444,248	135,981	175,874

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Preferred distributions	(10,859)	(10,887)	(3,619)	(3,628)
Net income available to Common Shares	\$ 306,122	\$ 433,361	\$ 132,362	\$ 172,246
<b>Earnings per share basic:</b>				
Income from continuing operations available to Common Shares	\$ 0.12	\$ 0.20	\$ 0.03	\$ 0.08
Net income available to Common Shares	\$ 1.12	\$ 1.61	\$ 0.48	\$ 0.64
Weighted average Common Shares outstanding	272,966	269,582	273,658	270,345
<b>Earnings per share diluted:</b>				
Income from continuing operations available to Common Shares	\$ 0.12	\$ 0.20	\$ 0.03	\$ 0.08
Net income available to Common Shares	\$ 1.12	\$ 1.59	\$ 0.48	\$ 0.63
Weighted average Common Shares outstanding	289,518	290,267	290,215	290,795
Distributions declared per Common Share outstanding	\$ 1.3025	\$ 1.4475	\$ 0.3375	\$ 0.4825

See accompanying notes

## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(Amounts in thousands except per share data)

(Unaudited)

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2009	2008	2009	2008
Comprehensive income:				
Net income	\$ 334,718	\$ 474,646	\$ 143,365	\$ 187,125
Other comprehensive income (loss) derivative instruments:				
Unrealized holding gains (losses) arising during the period	12,193	(12,438)	(462)	(7,231)
Losses reclassified into earnings from other comprehensive income	3,014	1,928	709	712
Other	449	-	-	-
Other comprehensive income (loss) other instruments:				
Unrealized holding gains (losses) arising during the period	3,450	(285)	339	87
(Gains) realized during the period	(4,943)	-	-	-
Comprehensive income	348,881	463,851	143,951	180,693
Comprehensive (income) attributable to Noncontrolling Interests	(17,737)	(30,398)	(7,384)	(11,251)
Comprehensive income attributable to controlling interests	\$ 331,144	\$ 433,453	\$ 136,567	\$ 169,442

See accompanying notes

## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 334,718	\$ 474,646
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	451,487	447,936
Amortization of deferred financing costs	9,646	6,751
Amortization of discounts on investment securities	(1,661)	-
Amortization of discounts and premiums on debt	3,346	4,060
Amortization of deferred settlements on derivative instruments	2,003	893
Impairment	11,124	-
Write-off of pursuit costs	1,973	2,856
Transaction costs	255	30
Loss (income) from investments in unconsolidated entities	2,372	(60)
Distributions from unconsolidated entities return on capital	129	71
Net (gain) on sales of investment securities	(4,943)	-
Net (gain) on sales of unconsolidated entities	(6,718)	-
Net (gain) on sales of land parcels	-	(2,976)
Net (gain) on sales of discontinued operations	(274,933)	(365,052)
(Gain) on debt extinguishments	(4,420)	(225)
Unrealized (gain) loss on derivative instruments	(2)	68
Compensation paid with Company Common Shares	13,975	16,753
<i>Changes in assets and liabilities:</i>		
Decrease (increase) in deposits restricted	4,890	(2,131)
Decrease (increase) in other assets	4,353	(16,122)
Increase in accounts payable and accrued expenses	35,555	66,078
(Decrease) in accrued interest payable	(40,876)	(45,145)
(Decrease) in other liabilities	(6,167)	(19,829)
(Decrease) increase in security deposits	(3,838)	1,907
Net cash provided by operating activities	532,268	570,509
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in real estate acquisitions	(18,500)	(344,231)
Investment in real estate development/other	(268,213)	(399,339)
Improvements to real estate	(93,049)	(131,365)
Additions to non-real estate property	(1,315)	(2,050)
Interest capitalized for real estate under development	(28,704)	(45,117)
Proceeds from disposition of real estate, net	729,153	829,125
Proceeds from disposition of unconsolidated entities	-	2,629
Distributions from unconsolidated entities return of capital	5,396	405
Purchase of investment securities	(52,822)	-
Proceeds from sale of investment securities	215,753	-
Transaction costs	(255)	(30)
(Increase) in deposits on real estate acquisitions, net	(246,835)	(168,936)
Decrease (increase) in mortgage deposits	775	(1,660)
Acquisition of Noncontrolling Interests Partially Owned Properties	(11,480)	(20)



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Net cash provided by (used for) investing activities	229,904	(260,589)
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See accompanying notes

## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan and bond acquisition costs	\$ (9,203)	\$ (6,199)
<i>Mortgage notes payable:</i>		
Proceeds	657,785	1,242,425
Restricted cash	34,655	28,390
Lump sum payoffs	(774,481)	(359,782)
Scheduled principal repayments	(13,701)	(18,949)
Gain (loss) on debt extinguishments	2,400	(41)
<i>Notes, net:</i>		
Lump sum payoffs	(505,849)	(147,124)
Gain on debt extinguishments	2,020	266
<i>Lines of credit:</i>		
Proceeds	-	841,000
Repayments	-	(980,000)
Proceeds from (payments on) settlement of derivative instruments	11,253	(13,256)
Proceeds from sale of Common Shares	4,698	5,085
Proceeds from exercise of options	7,420	16,772
Common Shares repurchased and retired	(1,124)	(10,935)
Premium on redemption of Preferred Shares	-	(4)
Payment of offering costs	(463)	(88)
Other financing activities, net	(8)	(8)
Contributions Noncontrolling Interests Partially Owned Properties	893	1,842
Contributions Noncontrolling Interests Operating Partnership	78	-
<i>Distributions:</i>		
Common Shares	(395,786)	(391,072)
Preferred Shares	(10,859)	(10,893)
Preference Interests and Units	(11)	(11)
Noncontrolling Interests Operating Partnership	(23,736)	(26,309)
Noncontrolling Interests Partially Owned Properties	(1,359)	(1,810)
Net cash (used for) provided by financing activities	(1,015,378)	169,299
Net (decrease) increase in cash and cash equivalents	(253,206)	479,219
Cash and cash equivalents, beginning of period	890,794	50,831
Cash and cash equivalents, end of period	\$ 637,588	\$ 530,050

See accompanying notes

## EQUITY RESIDENTIAL

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	\$ 396,922	\$ 402,810
Net cash paid for income and other taxes	\$ 4,047	\$ 2,302
<i>Real estate acquisitions/dispositions/other:</i>		
Mortgage loans assumed	\$ -	\$ 24,946
Valuation of OP Units issued	\$ 1,034	\$ 849
Mortgage loans (assumed) by purchaser	\$ (4,387)	\$ -
<i>Amortization of deferred financing costs:</i>		
Investment in real estate, net	\$ (2,936)	\$ (1,509)
Deferred financing costs, net	\$ 12,582	\$ 8,260
<i>Amortization of discounts and premiums on debt:</i>		
Investment in real estate, net	\$ (3)	\$ (3)
Mortgage notes payable	\$ (4,631)	\$ (4,717)
Notes, net	\$ 7,980	\$ 8,780
<i>Amortization of deferred settlements on derivative instruments:</i>		
Other liabilities	\$ (1,011)	\$ (1,035)
Accumulated other comprehensive loss	\$ 3,014	\$ 1,928
<i>Unrealized (gain) loss on derivative instruments:</i>		
Other assets	\$ (9,910)	\$ (3,777)
Mortgage notes payable	\$ (1,755)	\$ 3,992
Notes, net	\$ 866	\$ 1,011
Other liabilities	\$ (1,396)	\$ 11,280
Accumulated other comprehensive loss	\$ 12,193	\$