

EQUITY RESIDENTIAL
Form 10-Q
November 06, 2006

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

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 2006

OR

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

Commission File Number: 1-12252

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

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

13-3675988

(I.R.S. Employer Identification No.)

Two North Riverside Plaza, Chicago, Illinois

(Address of Principal Executive Offices)

60606

(Zip Code)

(312) 474-1300

(Registrant's Telephone Number, Including Area Code)

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

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

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

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The number of Common Shares of Beneficial Interest, \$0.01 par value, outstanding on September 30, 2006 was 292,132,743.

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

	September 30, 2006	December 31, 2005
ASSETS		
Investment in real estate		
Land	\$ 3,118,538	\$ 2,848,601
Depreciable property	13,195,156	13,336,636
Projects under development	335,227	240,980
Land held for development	199,369	164,153
Investment in real estate	16,848,290	16,590,370
Accumulated depreciation	(2,911,481)	(2,888,140)
Investment in real estate, net	13,936,809	13,702,230
Real estate held for sale	646,155	-
Cash and cash equivalents	76,324	88,828
Investments in unconsolidated entities	4,528	6,838
Rents receivable	1,452	789
Deposits restricted	96,567	77,093
Escrow deposits mortgage	32,410	35,225
Deferred financing costs, net	43,957	40,636
Goodwill, net	30,000	30,000
Other assets	101,864	117,306
Total assets	\$ 14,970,066	\$ 14,098,945
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Mortgage notes payable	\$ 3,157,088	\$ 3,379,289
Mortgage notes payable, held for sale	196,325	-
Notes, net	4,469,043	3,442,784
Lines of credit	506,000	769,000
Accounts payable and accrued expenses	146,091	108,855
Accrued interest payable	73,174	78,441
Rents received in advance and other liabilities	292,515	302,418
Security deposits	63,901	54,823
Distributions payable	144,758	145,812
Total liabilities	9,048,895	8,281,422
<i>Commitments and contingencies</i>		
Minority Interests:		
Operating Partnership	361,060	345,034
Preference Interests and Units	11,684	60,184
Partially Owned Properties	23,842	16,965
Total Minority Interests	396,586	422,183
Shareholders equity:		
Preferred Shares of beneficial interest, \$0.01 par value; 100,000,000 shares authorized; 2,794,050 shares issued and outstanding as of September 30, 2006 and 3,323,830 shares issued and outstanding as of December 31, 2005	387,351	504,096
Common Shares of beneficial interest, \$0.01 par value; 1,000,000,000 shares authorized; 292,132,743 shares issued and outstanding as of September 30, 2006 and 289,536,344 shares issued and outstanding as of December 31, 2005	2,921	2,895
Paid in capital	5,311,347	5,253,188
Distributions in excess of accumulated earnings	(162,408)	(350,367)
Accumulated other comprehensive loss	(14,626)	(14,472)

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Total shareholders equity	5,524,585	5,395,340
Total liabilities and shareholders equity	\$ 14,970,066	\$ 14,098,945

See accompanying notes

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

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2006	2005	2006	2005
REVENUES				
Rental income	\$ 1,470,705	\$ 1,237,279	\$ 511,794	\$ 428,357
Fee and asset management	6,878	7,763	2,071	2,401
Total revenues	1,477,583	1,245,042	513,865	430,758
EXPENSES				
Property and maintenance	390,732	338,810	138,285	121,562
Real estate taxes and insurance	148,604	136,813	51,525	50,181
Property management	70,081	63,351	23,417	21,944
Fee and asset management	6,477	6,358	2,151	2,182
Depreciation	415,179	323,608	143,255	111,370
General and administrative	37,638	45,944	14,448	14,442
Total expenses	1,068,711	914,884	373,081	321,681
Operating income	408,872	330,158	140,784	109,077
Interest and other income	11,668	64,824	7,303	2,554
Interest:				
Expense incurred, net	(319,236)	(266,063)	(110,187)	(92,335)
Amortization of deferred financing costs	(6,419)	(4,832)	(1,906)	(1,602)
Income before allocation to Minority Interests, loss from investments in unconsolidated entities, net gain on sales of unconsolidated entities and land parcels and discontinued operations	94,885	124,087	35,994	17,694
Allocation to Minority Interests:				
Operating Partnership, net	(3,891)	(5,509)	(1,627)	183
Preference Interests and Units	(1,779)	(6,442)	(223)	(1,163)
Partially Owned Properties	(2,550)	672	(482)	(1,624)
Premium on redemption of Preference Interests	(684)	(4,134)	(1)	(22)
Loss from investments in unconsolidated entities	(565)	(450)	(190)	(235)
Net gain on sales of unconsolidated entities	370	124	18	-
Net gain on sales of land parcels	3,183	10,366	2,937	-
Income from continuing operations, net of minority interests	88,969	118,714	36,426	14,833
Discontinued operations, net of minority interests	518,814	517,193	33,385	252,691
Net income	607,783	635,907	69,811	267,524
Preferred distributions	(29,682)	(39,004)	(9,514)	(12,961)
Premium on redemption of Preferred Shares	(3,941)	(4,316)	(3,941)	(4,316)
Net income available to Common Shares	\$ 574,160	\$ 592,587	\$ 56,356	\$ 250,247
Earnings per share basic:				
Income (loss) from continuing operations available to Common Shares	\$ 0.19	\$ 0.26	\$ 0.08	\$ (0.01)
Net income available to Common Shares	\$ 1.98	\$ 2.08	\$ 0.19	\$ 0.87
Weighted average Common Shares outstanding	289,463	285,331	290,036	286,182
Earnings per share diluted:				
Income (loss) from continuing operations available to Common Shares	\$ 0.19	\$ 0.26	\$ 0.08	\$ (0.01)
Net income available to Common Shares	\$ 1.95	\$ 2.05	\$ 0.19	\$ 0.87
Weighted average Common Shares outstanding	314,982	310,211	315,886	286,182
Distributions declared per Common Share outstanding	\$ 1.3275	\$ 1.2975	\$ 0.4425	\$ 0.4325

See accompanying notes

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

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2006	2005	2006	2005
Comprehensive income:				
Net income	\$ 607,783	\$ 635,907	\$ 69,811	\$ 267,524
Other comprehensive income derivative and other instruments:				
Unrealized holding gains (losses) arising during the period	(1,843)	2,010	(4,252)	13,684
Losses reclassified into earnings from other comprehensive income	1,689	1,797	553	629
Comprehensive income	\$ 607,629	\$ 639,714	\$ 66,112	\$ 281,837

See accompanying notes

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

Nine Months Ended
September 30,