MARVELL TECHNOLOGY GROUP LTD
Form 8-K
May 18, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): **May 18, 2006**

MARVELL TECHNOLOGY GROUP LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**0-30877**	**77-0481679**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

Canon s Court
22 Victoria Street
Hamilton HM 12
Bermuda

(Address of principal executive offices)

(441) 296-6395

(Registrant s telephone number,
including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

Item 2.02. Results of Operations and Financial Condition

The information in this Current Report is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act), or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On May 18, 2006, Marvell Technology Group Ltd. (Marvell) issued a press release regarding its financial results for its first fiscal quarter ended April 29, 2006. The full text of Marvell s press release is furnished herewith as Exhibit 99.1.

The following non-GAAP financial measures are included in the press release: pro forma net income and basic and diluted net income per share. These non-GAAP measures exclude the effects of acquisition-related expenses, stock-based compensation and amortization of acquired intangible assets. A reconciliation to the most directly comparable GAAP measure is included in the financial statements portion of the press release.

Marvell s management believes this non-GAAP information is useful because it can enhance the understanding of the company s ongoing economic performance, and Marvell therefore uses pro forma reporting internally to evaluate and manage the company s operations. Marvell has chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how company management analyzes operating results.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated May 18, 2006.

SIGNATURE

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

Dated: May 18, 2006

MARVELL TECHNOLOGY GROUP LTD.

By: /s/ George A. Hervey

George A. Hervey

Vice President of Finance and

Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated May 18, 2006.

;font-size:10pt;">
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 Securities Exchange Act of 1934, as amended). The Operating Partnership’s management assessed the effectiveness of the Operating Partnership’s internal control over financial reporting as of December 31, 2014. In making this assessment, the Operating Partnership’s management used the criteria set forth in the report entitled “Internal Control-Integrated Framework (1992)” published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Operating Partnership’s management has concluded that, as of December 31, 2014, its internal control over financial reporting was effective based on these criteria.

Item 9B. Other Information

None.

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 2015 Annual Meeting of Shareholders, under the heading “Board and Corporate Governance Matters,” to be filed with the SEC within 120 days of December 31, 2014.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2015 Annual Meeting of Shareholders, under the headings “Executive Compensation and Other Information” and “Election of Directors – Governance, Board, and Committee Meetings: Compensation of Directors,” to be filed with the SEC within 120 days of December 31, 2014.

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 2015 Annual Meeting of Shareholders, under the heading “Security Ownership of Certain Beneficial Owners and Management,” to be filed with the SEC within 120 days of December 31, 2014.

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 2015 Annual Meeting of Shareholders, under the heading “Certain Relationships and Related Transactions,” to be filed with the SEC within 120 days of December 31, 2014.

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 2015 Annual Meeting of Shareholders, under the headings “Report of the Audit Committee” and “Fees of KPMG LLP,” to be filed with the SEC within 120 days of December 31, 2014.

50

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(A) Financial Statements

(4) See the Exhibit Index immediately following 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.

51

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Essex Property Trust, Inc. and subsidiaries as of December 31, 2014 and 2013, and 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, 2014. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedule III. These consolidated financial statements and the accompanying financial statement schedule III are the responsibility of Essex Property Trust, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements and the accompanying financial statement schedule III based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Essex Property Trust, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Essex Property Trust, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2015 expressed an unqualified opinion on the effectiveness of Essex Property Trust, Inc.'s internal control over financial reporting.

As discussed in note 2 to the consolidated financial statements, Essex Property Trust, Inc. changed its method for reporting discontinued operations in 2014 due to the adoption of FASB Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

/S/ KPMG LLP
KPMG LLP

San Francisco, California
March 2, 2015

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited Essex Property Trust, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Essex Property Trust, Inc.'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, appearing under Item 9A. Our responsibility is to express an opinion on Essex Property Trust, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, 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.

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

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

In our opinion, Essex Property Trust, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Essex Property Trust, Inc. and subsidiaries as of December 31, 2014 and 2013, and 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, 2014, and our report dated March 2, 2015, expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

KPMG LLP

San Francisco, California
March 2, 2015

Table of Contents

Report of Independent Registered Public Accounting Firm

The General Partner
Essex Portfolio, L.P.:

We have audited the accompanying consolidated balance sheets of Essex Portfolio, L.P. (the Operating Partnership) and subsidiaries as of December 31, 2014 and 2013, and 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, 2014. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedule III. These consolidated financial statements and the accompanying financial statement schedule III are the responsibility of Operating Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements and the accompanying financial statement schedule III based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Essex Portfolio, L.P. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 2 to the consolidated financial statements, Essex Portfolio, L.P. changed its method for reporting discontinued operations in 2014 due to the adoption of FASB Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

/S/ KPMG LLP
KPMG LLP

San Francisco, California
March 2, 2015

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 and 2013
(Dollars in thousands, except share amounts)

	2014	2013
ASSETS		
Real estate:		
Rental properties:		
Land and land improvements	$2,426,496	$1,083,552
Buildings and improvements	8,826,015	4,360,205
	11,252,511	5,443,757
Less: accumulated depreciation	(1,564,806)	(1,254,886)
	9,687,705	4,188,871
Real estate under development	434,371	50,430
Co-investments	1,036,411	677,133
Real estate held for sale, net	56,300	—
	11,214,787	4,916,434
Cash and cash equivalents-unrestricted	25,281	18,491
Cash and cash equivalents-restricted	70,139	35,275
Marketable securities and other investments	117,240	90,084
Notes and other receivables	24,923	68,255
Prepaid expenses and other assets	33,318	29,268
Acquired in-place lease value	47,747	4,513
Deferred charges, net	29,439	24,519
Total assets	$11,562,874	$5,186,839
LIABILITIES AND EQUITY		
Mortgage notes payable	$2,245,944	$1,404,080
Unsecured debt	2,617,482	1,410,023
Lines of credit	246,391	219,421
Accounts payable and accrued liabilities	142,135	67,183
Construction payable	30,892	8,047
Dividends payable	88,221	50,627
Other liabilities	32,485	24,871
Total liabilities	5,403,550	3,184,252
Commitments and contingencies		
Redeemable noncontrolling interest	23,256	—
Cumulative convertible 4.875% Series G preferred stock; $.0001 par value: 5,980,000 issued, and 0 and 178,249 outstanding	—	4,349
Equity:		
Common stock; $.0001 par value, 656,020,000 shares authorized; 63,682,646 and 37,421,219 shares issued and outstanding, respectively	6	4
Cumulative redeemable 7.125% Series H preferred stock at liquidation value	73,750	73,750
Excess stock; $.0001 par value, 330,000,000 shares authorized and no shares issued or outstanding	—	—
Additional paid-in capital	6,651,165	2,345,763
Distributions in excess of accumulated earnings	(650,797)	(474,426)
Accumulated other comprehensive loss, net	(51,452)	(60,472)
Total stockholders' equity	6,022,672	1,884,619
Noncontrolling interest	113,396	113,619

Total equity	6,136,068	1,998,238
Total liabilities and equity	$11,562,874	$5,186,839

See accompanying notes to consolidated financial statements.

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2014, 2013 and 2012
(Dollars in thousands, except per share and share amounts)

	2014	2013	2012
Revenues:			
Rental and other property	$959,958	$602,003	$526,696
Management and other fees from affiliates	9,347	7,263	8,457
	969,305	609,266	535,153
Expenses:			
Property operating, excluding real estate taxes	203,040	138,736	123,813
Real estate taxes	107,873	57,276	48,354
Depreciation and amortization	360,592	192,420	169,173
General and administrative	40,878	26,684	24,573
Merger and integration expenses	53,530	4,284	—
Acquisition and disposition costs	1,878	1,161	2,215
	767,791	420,561	368,128
Earnings from operations	201,514	188,705	167,025
Interest expense	(164,551)	(116,524)	(111,888)
Interest and other income	11,811	11,633	13,833
Equity income from co-investments	39,893	55,865	41,745
Loss on early retirement of debt, net	(268)	(300)	(5,009)
Gain on sale of real estate and land	46,039	1,503	—
Gain on remeasurement of co-investment	—	—	21,947
Income before discontinued operations	134,438	140,882	127,653
Income from discontinued operations	—	31,173	11,937
Net income	134,438	172,055	139,590
Net income attributable to noncontrolling interest	(12,288)	(15,772)	(14,306)
Net income attributable to controlling interest	122,150	156,283	125,284
Dividends to preferred stockholders	(5,291)	(5,472)	(5,472)
Net income available to common stockholders	$116,859	$150,811	$119,812
Per share data:			
Basic:			
Income before discontinued operations available to common stockholders	$2.07	$3.26	$3.10
Income from discontinued operations available to common stockholders	—	0.79	0.32
Net income available to common stockholders	$2.07	$4.05	$3.42
Weighted average number of shares outstanding during the year	56,546,959	37,248,960	35,032,491
Diluted:			
Income before discontinued operations available to common stockholders	$2.06	$3.25	$3.09
Income from discontinued operations available to common stockholders	—	0.79	0.32
Net income available to common stockholders	$2.06	$4.04	$3.41
Weighted average number of shares outstanding during the year	56,696,525	37,335,295	35,124,921

See accompanying notes to consolidated financial statements.

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years ended December 31, 2014, 2013 and 2012
(Dollars in thousands)

	2014	2013	2012
Net income	$134,438	$172,055	$139,590
Other comprehensive income (loss):			
Changes in fair value of cash flow hedges and reclassification to interest expense	4,168	12,614	3,402
Changes in fair value of marketable securities	6,302	(1,556)	1,411
Reversal of unrealized gains upon the sale of marketable securities	(886)	(1,767)	(1,082)
Total other comprehensive income	9,584	9,291	3,731
Comprehensive income	144,022	181,346	143,321
Comprehensive income attributable to noncontrolling interest	(12,852)	(16,274)	(14,527)
Comprehensive income attributable to controlling interest	$131,170	$165,072	$128,794

See accompanying notes to consolidated financial statements.

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Equity
Years ended December 31, 2014, 2013 and 2012
(Dollars and shares in thousands)

	Preferred stock		Common stock		Additional paid-in	Distributions in excess of accumulated	Accumulated other comprehensive (loss) income,	Noncontrolling	
	Shares	Amount	Shares	Amount	capital	earnings	net	Interest	Total
Balances at December 31, 2011	2,950	$73,750	33,888	$3	$1,844,611	$(408,066)	$ (72,771)	$ 116,201	$1,553,728
Net income	—	—	—	—	—	125,284	—	14,306	139,590
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(1,018)	(64)	(1,082)
Changes in fair value of cash flow hedges and amortization of settlement swaps	—	—	—	—	—	—	3,183	219	3,402
Changes in fair value of marketable securities	—	—	—	—	—	—	1,345	66	1,411
Issuance of common stock under:									
Stock option plans	—	—	151	—	4,675	—	—	—	4,675
Sale of common stock	—	—	2,404	—	357,720	—	—	—	357,720
Equity based compensation costs	—	—	—	—	(430)	—	—	2,231	1,801
Contributions from noncontrolling interest	—	—	—	—	—	—	—	4,232	4,232
Redemptions of noncontrolling interest	—	—	—	—	(1,798)	—	—	(5,188)	(6,986)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(16,691)	(16,691)
	—	—	—	—	—	(161,684)	—	—	(161,684)

Common and preferred stock dividends declared									
Balances at December 31, 2012	2,950	73,750	36,443	3	2,204,778	(444,466)	(69,261)	115,312	1,880,116
Net income	—	—	—	—	—	156,283	—	15,772	172,055
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(1,673)	(94)	(1,767)
Changes in fair value of cash flow hedges and amortization of settlement swaps	—	—	—	—	—	—	11,934	680	12,614
Changes in fair value of marketable securities	—	—	—	—	—	—	(1,472)	(84)	(1,556)
Issuance of common stock under:									

F- 7

Table of Contents

Stock option plans	—	$—	65	—	7,244	—	—	—	7,244
Sale of common stock	—	—	913	1	138,365	—	—	—	138,366
Equity-based compensation costs	—	—	—	—	(907)	—	—	2,515	1,608
Redemptions of noncontrolling interest	—	—	—	—	(3,717)	—	—	(1,994)	(5,711)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(18,488)	(18,488)
Common and preferred stock dividends declared	—	—	—	—	—	(186,243)	—	—	(186,243)
Balances at December 31, 2013	2,950	73,750	37,421	4	2,345,763	(474,426)	(60,472)	113,619	1,998,238
Net income	—	—	—	—	—	122,150	—	12,288	134,438
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(841)	(45)	(886)
Changes in fair value derivatives and amortization of settlement swaps	—	—	—	—	—	—	3,721	447	4,168
Changes in fair value of marketable securities	—	—	—	—	—	—	6,140	162	6,302
Issuance of common stock under:									
Stock consideration in the Merger, net			23,067	2	3,774,085			—	3,774,087
Stock option and restricted stock plans	—	—	218	—	11,024	—	—	—	11,024
Equity distribution agreements, net	—	—	2,943	—	532,670	—	—	—	532,670
Equity-based compensation costs	—	—	—	—	5,719	—	—	6,153	11,872
Reclassification of noncontrolling	—	—	—	—	(19,823)	—	—	(1,067)	(20,890)

interest to redeemable noncontrolling interest									
Changes in the redemption value of redeemable noncontrolling interest	—	—	—	—	312	—	—	—	312
Conversion of Series G preferred stock	—	—	34	—	4,349	—	—	—	4,349
Contributions from noncontrolling interest	—	—	—	—	—	—	—	1,419,816	1,419,816
Retirement of noncontrolling interest	—	—	—	—	—	—	—	(1,419,816)	(1,419,816)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(17,069)	(17,069)

Table of Contents

Redemptions of noncontrolling interest	—	—	—	—	(2,934)	—	—	(1,092)	(4,026)
Common and preferred stock dividends declared	—	—	—	—	—	(298,521)	—	—	(298,521)
Balances at December 31, 2014	2,950	$73,750	63,683	$6	$6,651,165	$(650,797)	$(51,452)	$113,396	$6,136,068

See accompanying notes to consolidated financial statements.

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2014, 2013 and 2012
(Dollars in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income	$134,438	$172,055	$139,590
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	360,592	193,518	170,686
Earnings from co-investments	(33,335)	(14,613)	(12,633)
Company's share of gain on the sales of co-investments	(6,558)	(41,252)	(29,112)
Operating distributions from co-investments	49,486	19,636	14,259
Gain on the sales of real estate and land	(46,039)	(30,725)	(10,870)
Loss on early retirement of debt, net	268	300	5,009
Gain on sale of marketable securities	(886)	(1,767)	(819)
Amortization of (premium) discount and financing costs, net	(14,672)	12,216	11,644
Amortization of discount on notes receivables	—	(844)	(1,832)
Amortization of discount on marketable securities	(9,325)	(6,556)	(5,127)
Non cash merger and integration expenses	9,025	—	—
Equity-based compensation	8,740	4,508	4,141
Gain on remeasurement of co-investment	—	—	(21,947)
Changes in operating assets and liabilities:			
Prepaid expenses, in-place lease value, receivables and other assets	15,828	(1,588)	(9,488)
Accounts payable and accrued liabilities	24,233	72	12,360
Other liabilities	1,188	22	1,638
Net cash provided by operating activities	492,983	304,982	267,499
Cash flows from investing activities:			
Additions to real estate:			
Acquisitions of real estate	(387,547)	(348,774)	(393,771)
Redevelopment	(81,429)	(47,289)	(46,647)
Acquisition of and additions to real estate under development	(152,766)	(17,757)	(29,196)
Capital expenditures on rental properties	(78,864)	(56,919)	(45,368)
Proceeds from insurance for property losses	35,547	—	—
BRE merger consideration paid	(555,826)	—	—
Acquisition of membership interest in co-investment	—	—	(85,000)
Dispositions of real estate	141,189	65,496	27,800
Dispositions of co-investments	13,900	—	—
Changes in restricted cash and refundable deposits	(36,582)	(9,149)	(6,069)
Purchases of marketable securities	(20,516)	(16,442)	(73,735)
Sales and maturities of marketable securities	8,753	24,172	61,703
Purchases of and advances under notes and other receivables	—	(56,750)	(26,000)
Collections of notes and other receivables	76,585	53,438	14,525
Contributions to co-investments	(246,006)	(162,578)	(260,153)
Non-operating distributions from co-investments	136,406	118,856	49,773
Net cash used in investing activities	(1,147,156)	(453,696)	(812,138)
Cash flows from financing activities:			

Table of Contents

Borrowings under debt agreements	2,093,406	969,061	1,745,853
Repayment of debt	(1,814,020)	(750,900)	(1,371,317)
Additions to deferred charges	(17,402)	(7,402)	(6,707)
Equity related issuance cost	(1,391)	(617)	(309)
Net proceeds from stock options exercised	11,039	4,958	2,643
Net proceeds from issuance of common stock	532,770	138,366	357,720
Contributions from noncontrolling interest	—	—	2,400
Distributions to noncontrolling interest	(17,465)	(18,488)	(16,691)
Redemption of noncontrolling interest	(5,753)	(5,711)	(6,986)
Common and preferred stock dividends paid	(260,574)	(180,668)	(156,250)
Net cash provided by financing activities	520,610	148,599	550,356
Cash acquired from the BRE merger	140,353	—	—
Net increase (decrease) in cash and cash equivalents	6,790	(115)	5,717
Cash and cash equivalents at beginning of year	18,491	18,606	12,889
Cash and cash equivalents at end of year	$25,281	$18,491	$18,606
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	$130,691	$103,516	$95,597
Interest capitalized	$22,510	$16,486	$10,346
Supplemental disclosure of noncash investing and financing activities (1):			
Issuance of Operating Partnership units for contributed properties	$1,419,816	$—	$—
Retirement of Operating Partnership units	$(1,419,816)	$—	$—
Transfer from real estate under development to rental properties	$10,203	$68	$6,632
Transfer from real estate under development to co-investments	$83,574	$27,906	$—
Transfer from co-investments to rental properties	$—	$—	$148,053
Reclassification to redeemable noncontrolling interest from additional paid in capital and noncontrolling interest	$18,766	$—	$—
Mortgage notes (excluding BRE merger) assumed in connection with purchases of real estate including the loan premiums recorded	$72,568	$—	$82,133
Contribution of note receivable to co-investment	$—	$—	$12,325
Change in accrual of dividends	$37,594	$5,575	$5,441
Change in construction payable	$22,845	$2,655	$1,113
Common stock proceeds receivables	$1,258	$—	$—

(1) See note 2(r) for details of noncash investing and financing activities related to the BRE merger.

See accompanying notes to consolidated financial statements

ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 and 2013
(Dollars in thousands, except per unit amounts)

	2014	2013
ASSETS		
Real estate:		
Rental properties:		
Land and land improvements	$2,426,496	$1,083,552
Buildings and improvements	8,826,015	4,360,205
	11,252,511	5,443,757
Less: accumulated depreciation	(1,564,806)	(1,254,886)
	9,687,705	4,188,871
Real estate under development	434,371	50,430
Co-investments	1,036,411	677,133
Real estate held for sale, net	56,300	—
	11,214,787	4,916,434
Cash and cash equivalents-unrestricted	25,281	18,491
Cash and cash equivalents-restricted	70,139	35,275
Marketable securities and other investments	117,240	90,084
Notes and other receivables	24,923	68,255
Prepaid expenses and other assets	33,318	29,268
Acquired in-place lease value	47,747	4,513
Deferred charges, net	29,439	24,519
Total assets	$11,562,874	$5,186,839
LIABILITIES AND CAPITAL		
Mortgage notes payable	$2,245,944	$1,404,080
Unsecured debt	2,617,482	1,410,023
Lines of credit	246,391	219,421
Accounts payable and accrued liabilities	142,135	67,183
Construction payable	30,892	8,047
Distributions payable	88,221	50,627
Other liabilities	32,485	24,871
Total liabilities	5,403,550	3,184,252
Commitments and contingencies		
Redeemable noncontrolling interest	23,256	—
Cumulative convertible Series G 4.875% preferred interest (liquidation value of $4,456 at December 31, 2013)	—	4,349
Capital:		
General Partner:		
Common equity (63,682,646 and 37,421,219 units issued and outstanding, respectively)	6,002,915	1,873,882
Series H 7.125% Preferred interest (liquidation value of $73,750)	71,209	71,209
	6,074,124	1,945,091
Limited Partners:		
Common equity (2,201,810 and 2,149,802 units issued and outstanding, respectively)	48,665	45,957
Accumulated other comprehensive loss	(49,356)	(58,940)
Total partners' capital	6,073,433	1,932,108
Noncontrolling interest	62,635	66,130

Total capital	6,136,068	1,998,238
Total liabilities and capital	$11,562,874	$5,186,839

Table of Contents

See accompanying notes to consolidated financial statements

Table of Contents

ESSEX PORTFOLIO, L.P. AND SUBSIDIARES
Consolidated Statements of Income
Years ended December 31, 2014, 2013, and 2012
(Dollars in thousands, except per unit and unit amounts)

	2014	2013	2012
Revenues:			
Rental and other property	$959,958	$602,003	$526,696
Management and other fees from affiliates	9,347	7,263	8,457
	969,305	609,266	535,153
Expenses:			
Property operating, excluding real estate taxes	203,040	138,736	123,813
Real estate taxes	107,873	57,276	48,354
Depreciation and amortization	360,592	192,420	169,173
General and administrative	40,878	26,684	24,573
Merger and integration expenses	53,530	4,284	—
Acquisition and disposition costs	1,878	1,161	2,215
	767,791	420,561	368,128
Earnings from operations	201,514	188,705	167,025
Interest expense	(164,551)	(116,524)	(111,888)
Interest and other income	11,811	11,633	13,833
Equity income from co-investments	39,893	55,865	41,745
Loss on early retirement of debt, net	(268)	(300)	(5,009)
Gain on sale of real estate and land	46,039	1,503	—
Gain on remeasurement of co-investment	—	—	21,947
Income before discontinued operations	134,438	140,882	127,653
Income from discontinued operations	—	31,173	11,937
Net income	134,438	172,055	139,590
Net income attributable to noncontrolling interest	(7,421)	(6,834)	(6,347)
Net income attributable to controlling interest	127,017	165,221	133,243
Preferred interest distributions - Series F, G, & H	(5,291)	(5,472)	(5,472)
Net income available to common unitholders	$121,726	$159,749	$127,771
Per unit data:			
Basic:			
Income before discontinued operations available to common unitholders	$2.07	$3.27	$3.11
Income from discontinued operations	—	0.79	0.32
Net income available to common unitholders	$2.07	$4.06	$3.43
Weighted average number of common units outstanding during the year	58,771,666	39,380,385	37,251,537
Diluted:			
Income before discontinued operations available to common unitholders	$2.07	$3.26	$3.10
Income from discontinued operations	—	0.79	0.32
Net income available to common unitholders	$2.07	$4.05	$3.42
Weighted average number of common units outstanding during the year	58,921,232	39,466,720	37,343,967

See accompanying notes to consolidated financial statements

Table of Contents

ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014, 2013, and 2012
(Dollars in thousands)

	2014	2013	2012
Net income	$134,438	$172,055	$139,590
Other comprehensive income (loss):			
Changes in fair value of cash flow hedges and reclassification to interest expense	4,168	12,614	3,402
Changes in fair value of marketable securities	6,302	(1,556)	1,411
Reversal of unrealized gains upon the sale of marketable securities	(886)	(1,767)	(1,082)
Total other comprehensive income	9,584	9,291	3,731
Comprehensive income	144,022	181,346	143,321
Comprehensive income attributable to noncontrolling interest	(7,421)	(6,834)	(6,347)
Comprehensive income attributable to controlling interest	$136,601	$174,512	$136,974

See accompanying notes to consolidated financial statements.

Table of Contents

ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Consolidated Statements of Capital
Years ended December 31, 2014, 2013, and 2012
(Dollars and units in thousands)

	General Partner			Limited Partners			Accumulated		
	Common Equity		Preferred Equity	Common Equity		Preferred Equity	other comprehensive (loss) income	Noncontrolling	
	Units	Amount	Amount	Units	Amount	Amount		Interest	Total
Balances at December 31, 2011	33,888	$1,439,089	$71,209	2,229	$48,578	$—	$ (71,962)	$ 66,814	$1,553,728
Net income	—	119,812	5,472	—	7,959	—	—	6,347	139,590
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(1,082)	—	(1,082)
Change in fair value of cash flow hedges and amortization of settlement of swaps	—	—	—	—	—	—	3,402	—	3,402
Changes in fair value of marketable securities	—	—	—	—	—	—	1,411	—	1,411
Issuance of common units under:									
Stock and unit based compensation plans	151	4,675	—	—	—	—	—	—	4,675
Sale of common stock by the general partner	2,404	357,720	—	—	—	—	—	—	357,720
Stock and unit based compensation costs	—	(430)	—	(107)	2,231	—	—	—	1,801
Capital Contributions	—	—	—	—	—	—	—	4,232	4,232
Redemptions	—	(1,798)	—	—	(3,441)	—	—	(1,747)	(6,986)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(6,957)	(6,957)
Distributions declared	—	(156,212)	(5,472)	—	(9,734)	—	—	—	(171,418)
Balances at December 31, 2012	36,443	1,762,856	71,209	2,122	45,593	—	(68,231)	68,689	1,880,116
Net income	—	150,811	5,472	—	8,938	—	—	6,834	172,055
	—	—	—	—	—	—	(1,767)	—	(1,767)

Reversal of unrealized gains upon the sale of marketable securities									
Change in fair value of cash flow hedges and amortization of settlement of swaps	—	—	—	—	—	—	12,614	—	12,614
Changes in fair value of marketable securities	—	—	—	—	—	—	(1,556)	—	(1,556)
Issuance of common units under:									

F- 16

Table of Contents

Stock and unit based compensation plans	65	7,244	—	—	—	—	—	—	7,244
Sale of common stock by the general partner	913	138,366	—	—	—	—	—	—	138,366
Stock and unit based compensation costs	—	(907)	—	28	2,515	—	—	—	1,608
Redemptions	—	(3,717)	—	—	(617)	—	—	(1,377)	(5,711)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(8,016)	(8,016)
Distributions declared	—	(180,771)	(5,472)	—	(10,472)	—	—	—	(196,715)
Balances at December 31, 2013	37,421	1,873,882	71,209	2,150	45,957	—	(58,940)	66,130	1,998,238
Net income	—	116,859	5,291	—	4,867	—	—	7,421	134,438
Reversal of unrealized gains upon the sale of marketable securities	—	—	—	—	—	—	(886)	—	(886)
Changes in fair value of derivatives and amortization of settlement swaps	—	—	—	—	—	—	4,168	—	4,168
Changes in fair value of marketable securities	—	—	—	—	—	—	6,302	—	6,302
Issuance of common units under:									
Common stock issued as consideration by general partner in merger	23,067	3,774,087	—	—	—	—	—	—	3,774,087
General partner's stock based compensation	218	11,024	—	—	—	—	—	—	11,024
Sale of common stock by the general partner	2,943	532,670	—	—	—	—	—	—	532,670
Equity-based compensation costs	—	5,719	—	62	6,153	—	—	—	11,872
Reclassification of noncontrolling interest to redeemable noncontrolling interest	—	(19,823)	—	(10)	4,017	—	—	(5,084)	(20,890)
Changes in the redemption value of redeemable noncontrolling interest	—	312	—	—	—	—	—	—	312
Conversion of Series G preferred stock	34	4,349	—	—	—	—	—	—	4,349
Contributions from noncontrolling interest	—	—	—	8,561	1,419,816	—	—	—	1,419,816
Retirement of noncontrolling interest	—	—	—	(8,561)	(1,419,816)	—	—	—	(1,419,816)
	—	—	—	—	—	—	—	(4,890)	(4,890)

Distributions to
noncontrolling interests

Table of Contents

Redemptions	—	(3,374)	—	—	(1,181)	—	—	(942)	(5,497)
Distributions declared	—	(292,790)	(5,291)	—	(11,148)	—	—	—	(309,229)
Balances at December 31, 2014	63,683	$6,002,915	$71,209	2,202	$48,665	$—	$(49,356)	$62,635	$6,136,068

See accompanying notes to consolidated financial statements

Table of Contents

ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2014, 2013, and 2012
(Dollars in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income	$134,438	$172,055	$139,590
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	360,592	193,518	170,686
Earnings from co-investments	(33,335)	(14,613)	(12,633)
Operating Partnership's share of gain on the sales of co-investments	(6,558)	(41,252)	(29,112)
Operating distributions from co-investments	49,486	19,636	14,259
Gain on the sales of real estate and land	(46,039)	(30,725)	(10,870)
Loss on early retirement of debt, net	268	300	5,009
Gain on sale of marketable securities	(886)	(1,767)	(819)
Amortization of (premium) discount and financing costs, net	(14,672)	12,216	11,644
Amortization of discount on notes receivables	—	(844)	(1,832)
Amortization of discount on marketable securities	(9,325)	(6,556)	(5,127)
Non cash merger and integration expenses	9,025	—	—
Equity-based compensation	8,740	4,508	4,141
Gain on remeasurement of co-investment	—	—	(21,947)
Changes in operating assets and liabilities:			
Prepaid expenses, in-place lease value, receivables and other assets	15,828	(1,588)	(9,488)
Accounts payable and accrued liabilities	24,233	72	12,360
Other liabilities	1,188	22	1,638
Net cash provided by operating activities	492,983	304,982	267,499
Cash flows from investing activities:			
Additions to real estate:			
Acquisitions of real estate	(387,547)	(348,774)	(393,771)
Redevelopment	(81,429)	(47,289)	(46,647)
Acquisition of and additions to real estate under development	(152,766)	(17,757)	(29,196)
Capital expenditures on rental properties	(78,864)	(56,919)	(45,368)
Proceeds from insurance for property losses	35,547	—	—
BRE merger consideration paid	(555,826)	—	—
Acquisition of membership interest in co-investment	—	—	(85,000)
Dispositions of real estate	141,189	65,496	27,800
Dispositions of co-investments	13,900	—	—
Changes in restricted cash and refundable deposits	(36,582)	(9,149)	(6,069)
Purchases of marketable securities	(20,516)	(16,442)	(73,735)
Sales and maturities of marketable securities	8,753	24,172	61,703
Purchases of and advances under notes and other receivables	—	(56,750)	(26,000)
Collections of notes and other receivables	76,585	53,438	14,525
Contributions to co-investments	(246,006)	(162,578)	(260,153)
Non-operating distributions from co-investments	136,406	118,856	49,773
Net cash used in investing activities	(1,147,156)	(453,696)	(812,138)
Cash flows from financing activities:			

Table of Contents

Borrowings under debt agreements	2,093,406	969,061	1,745,853
Repayment of debt	(1,814,020)	(750,900)	(1,371,317)
Additions to deferred charges	(17,402)	(7,402)	(6,707)
Equity related issuance cost	(1,391)	(617)	(309)
Net proceeds from stock options exercised	11,039	4,958	2,643
Net proceeds from issuance of common units	532,770	138,366	357,720
Contributions from noncontrolling interest	—	—	2,400
Distributions to noncontrolling interest	(4,841)	(8,016)	(6,957)
Redemption of limited partners units and noncontrolling interests	(802)	(5,711)	(6,986)
Common units and preferred units and preferred interests distributions paid	(278,149)	(191,140)	(165,984)
Net cash provided by financing activities	520,610	148,599	550,356
Cash acquired from the BRE merger	140,353	—	—
Net increase (decrease) in cash and cash equivalents	6,790	(115)	5,717
Cash and cash equivalents at beginning of year	18,491	18,606	12,889
Cash and cash equivalents at end of year	$25,281	$18,491	$18,606
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	$130,691	$103,516	$95,597
Interest capitalized	$22,510	$16,486	$10,346
Supplemental disclosure of noncash investing and financing activities (1):			
Issuance of Operating Partnership units for contributed properties	$1,419,816	$—	$—
Retirement of Operating Partnership units	$(1,419,816)	$—	$—
Transfer from real estate under development to rental properties	$10,203	$68	$6,632
Transfer from real estate under development to co-investments	$83,574	$27,906	$—
Transfer from co-investments to rental properties	$—	$—	$148,053
Reclassification to redeemable noncontrolling interest from additional paid in capital and noncontrolling interest	$18,766	$—	$—
Mortgage notes (excluding BRE merger) assumed in connection with purchases of real estate including the loan premiums recorded	$72,568	$—	$82,133
Contribution of note receivable to co-investment	$—	$—	$12,325
Change in accrual of dividends	$37,594	$5,575	$5,441
Change in construction payable	$22,845	$2,655	$1,113
Common stock proceeds receivables	$1,258	$—	$—

(1) See note 2(r) for details of noncash investing and financing activities related to the BRE merger.

See accompanying notes to consolidated financial statements

Table of Contents

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

(1) Organization

The accompanying consolidated financial statements present the accounts of Essex Property Trust, Inc. ("Essex", "ESS", or the "Company"), which include the accounts of the Company and Essex Portfolio, L.P. and 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.

ESS is the sole general partner in the Operating Partnership with a 96.7% general partner interest and the limited partners owned a 3.3% interest as of December 31, 2014. The limited partners may convert their Operating Partnership units into an equivalent number of shares of common stock. Total Operating Partnership limited partnership units outstanding were 2,201,810 and 2,149,802 as of December 31, 2014 and 2013, respectively, and the redemption value of the units, based on the closing price of the Company's common stock totaled approximately $455 million and $309 million, as of December 31, 2014 and 2013, respectively. The Company has reserved shares of common stock for such conversions.

As of December 31, 2014, the Company owned or had ownership interests in 239 apartment communities, (aggregating 57,455 units), four commercial buildings, and twelve active development projects (collectively, the "Portfolio"). The communities are located in Southern California (Los Angeles, Orange, Riverside, Santa Barbara, San Diego, and Ventura counties), Northern California (the San Francisco Bay Area) and the Seattle and Phoenix metropolitan areas.

On April 1, 2014, Essex completed the merger with BRE Properties, Inc. ("BRE"). In connection with the closing of the merger, (1) BRE merged into a wholly owned subsidiary of Essex, and (2) each outstanding share of BRE common stock was converted into (i) 0.2971 shares (the "Stock Consideration") of Essex common stock, and (ii) $7.18 in cash, (the "Cash Consideration"), plus cash in lieu of fractional shares for total consideration of approximately $4.3 billion. The Cash Consideration was adjusted as a result of the authorization and declaration of a special distribution to the stockholders of BRE of $5.15 per share of BRE common stock payable to BRE stockholders of record as of the close of business on March 31, 2014 (the "Special Dividend"). The Special Dividend was payable as a result of the closing of the sale of certain interests in assets of BRE to certain parties, which closed on March 31, 2014. Pursuant to the terms of the merger agreement, the amounts payable as a Special Dividend reduced the Cash Consideration of $12.33 payable by Essex in the merger to $7.18 per share of BRE common stock.

Essex issued approximately 23.1 million shares of Essex common stock as Stock Consideration in the merger. For purchase accounting, the value of the common stock issued by Essex upon the consummation of the merger was determined based on the closing price of BRE's common stock on the closing date of the merger. As a result of Essex being admitted to the S&P 500 on the same date as the closing of the merger, Essex's common stock price experienced significantly higher than usual trading volume and the closing price of $174 per share was significantly higher than its volume-weighted average trading price for the days before and after April 1, 2014. BRE's common stock did not experience the same proportionate increase in common stock price leading up to April 1, 2014. As a result, given that a substantial component of the purchase price is an exchange of equity instruments, Essex used the closing price of BRE's common stock on April 1, 2014 of $61 per share, less the Cash Consideration, as the fair value of the equity consideration. After deducting the Special Dividend and the Cash Consideration per share, this resulted in a value of $48.67 per share of BRE common stock which is the equivalent of approximately $164 per share of Essex common stock issued.

(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. All significant inter-company accounts and transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to the current year’s presentation. Such reclassifications had no net effect on previously reported financial results.

Noncontrolling interest includes the 3.3% and 5.4% limited partner interests in the Operating Partnership not held by the Company at December 31, 2014 and 2013, respectively. These percentages include the Operating Partnership's vested long term incentive plan units (see Note 13).

The Company consolidates 17 DownREIT limited partnerships (comprising ten communities), since the Company is the primary beneficiary of these variable interest entities ("VIEs"). The consolidated total assets and liabilities related to these VIEs, net of intercompany eliminations, were approximately $200.0 million and $196.6 million, respectively, as of December 31, 2014, and $194.9 million and $178.3 million, respectively, as of December 31, 2013.

The DownREIT VIEs collectively own ten 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 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 the above arrangements. The other limited partners receive distributions based on the Company's current dividend rate times the number of units held. Total DownREIT units outstanding were 941,138 and 1,007,879 as of December 31, 2014 and 2013 respectively, and the redemption value of the units, based on the closing price of the Company's common stock totaled approximately $194 million and $145 million, as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the carrying value of the other limited partners' interests is presented at their historical cost and is classified within noncontrolling interest 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, 2014 and 2013, the Company did not have any VIEs of which it was not deemed to be the primary beneficiary.

(b) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU No. 2014-09 may be applied using either a full retrospective or a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. We are currently evaluating the impact of this amendment on our financial position and results of operations.

In April 2014, the FASB issued ASU, No. 2014-018, Presentation of Financial Statements, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-018 changes the requirements for reporting discontinued operation under Subtopic 205-20, Presentation of Financial Statements—Discontinued Operations. The amendment updates the definition of discontinued operations and defines discontinued operations to be those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. This ASU is effective for disposals of components of an entity that occur within annual periods beginning on or after December 15, 2014 with early adoption permitted, but only for disposals that have not been reported in financial statements previously issued. The Company adopted ASU 2014-018 in the first quarter of 2014. The Company determined that the disposals through the year ended December 31, 2014 were not a discontinued operation in accordance with ASU 2014-018. The gains related to these disposals are recorded in gains on sale of real estate and land in the consolidated statements of income.

(c) 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.

F- 22

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

Computer software and equipment	3 - 5 years
Interior unit improvements	5 years
Furniture, fixtures and equipment	5 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 resident 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 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, which in the case of below market leases the Company assumes lessees will elect to renew their leases. The value of acquired in-place leases are amortized to expense over the term the Company expects to retain the acquired tenant, which is generally 20 months. The net carrying value of acquired in-place leases as of December 31, 2014 of $47.7 million is expected to be recognized in amortization expense primarily in 2015.

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 December 31, 2014, one community was classified as held for sale. As of December 31, 2013 no community was classified as held for sale and no impairment charges were recorded in 2014, 2013 or 2012.

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.

In April 2014, the FASB issued ASU, No. 2014-018, Presentation of Financial Statements, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-018 changes the requirements for reporting discontinued operation under Subtopic 205-20, Presentation of Financial Statements—Discontinued Operations. The amendment updates the definition of discontinued operations and defines discontinued operations to be those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU is effective for disposals of components of an entity that occur within annual periods beginning on or after December 15, 2014 with early adoption permitted, but only for disposals that have not been reported in financial statements previously issued. The Company adopted ASU 2014-018 in its first quarter of 2014. The Company determined that the disposals through the year ended December 31, 2014 were not a discontinued operation in accordance with ASU 2014-018. The gains related to these disposals are recorded in gains on sale of real estate and land in the consolidated statements of income. The Company's equity in income or loss from real estate investments accounted for under the equity method of accounting remain classified in continuing operations upon disposition. (See Note 6 for a description of the Company's discontinued operations for 2013 and 2012).

(d) Co-investments

The Company owns investments in joint ventures ("co-investments") in which it has significant influence, but its ownership interest does not meet the criteria for consolidation in accordance with the accounting standards. Therefore, the Company accounts for these 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.

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 distributions 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 (loss) from co-investments.

(e) Revenues and Gains on Sale of Real Estate

Revenues from tenants renting or leasing apartment units 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. Units are rented under short-term leases (generally, lease terms of 6 to 12 months) and may provide no rent for one or two months, depending on the market conditions and leasing practices of the Company's competitors in each sub-market at the time the leases are executed. Revenues from tenants leasing commercial space are recorded on a straight-line basis over the life of the respective lease.

The Company recognizes gains on sales of real estate when a contract is in place, a closing has taken place, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company does not have a substantial continuing involvement in the property.

(f) 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.

(g) Marketable Securities and Other Investments

The Company reports its available for sale 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 the limited partnership interests, as defined by the FASB standard for fair value measurements as discussed later in Note 2), and any unrealized gain or loss is recorded as other comprehensive income (loss). There were no other than temporary impairment charges for the years ended December 31, 2014, 2013, and 2012. Realized gains and losses, interest income, and amortization of purchase discounts are included in interest and other income on the consolidated statement of income.

As of December 31, 2014 and 2013, marketable securities and other investments consisted primarily of investment-grade unsecured bonds, common stock, investments in mortgage backed securities, investment funds that invest in U.S. treasury or agency securities, and other limited partnership investments. As of December 31, 2014 and 2013, 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.

As of December 31, 2014 and 2013 marketable securities consist of the following ($ in thousands):

	December 31, 2014		
	Amortized Cost	Gross Unrealized Gain	Carrying Value
Available for sale:			
Investment-grade unsecured bonds	$9,435	$145	$9,580
Investment funds - US treasuries	3,769	3	3,772
Common stock and stock funds	25,755	5,137	30,892
Held to maturity:			
Mortgage backed securities	67,996	—	67,996
Total - Marketable securities	106,955	5,285	112,240
Other investments (1)	5,000	—	5,000
Total - Marketable securities and other investments	$111,955	$5,285	$117,240

(1) Limited partnership interests

	December 31, 2013		
	Amortized Cost	Gross Unrealized Gain (Loss)	Carrying Value
Available for sale:			
Investment-grade unsecured bonds	$15,446	$509	$15,955
Investment funds - US treasuries	3,675	3	3,678
Common stock	13,104	(1,304)	11,800
Held to maturity:			
Mortgage backed securities	58,651	—	58,651
Total - Marketable securities and other investments	$90,876	$(792)	$90,084

The Company uses the specific identification method to determine the cost basis of a security sold and to reclassify amounts from accumulated other comprehensive income for securities sold. For the years ended December 31, 2014, 2013 and 2012, the proceeds from sales of available for sale securities totaled $8.8 million, $24.2 million and $61.7 million, respectively. These sales all resulted in gains, which totaled $0.9 million, $1.8 million and $0.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

(h) 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.

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 collectable. 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, 2014 and 2013, no notes were impaired.

(i) 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. The Company's capitalized internal costs related to development and redevelopment projects were comprised primarily of employee compensation and totaled $10.4 million, $7.5 million and $6.2 million for the years ended December 31, 2014, 2013 and 2012, 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.

(j) 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 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 notes and other receivables approximate fair value as of December 31, 2014 and 2013, 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 the Company's $4.4 billion and $2.3 billion of fixed rate debt at December 31, 2014 and 2013, respectively, to be $4.6 billion and $2.3 billion. Management has estimated the fair value of the Company's $660.6 million and $737.0 million of variable rate debt at December 31, 2014 and 2013, respectively, is $656.3 million and $719.4 million based on the terms of the Company's existing variable rate debt 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 payable, other liabilities and dividends payable approximate fair value as of December 31, 2014 and 2013 due to the short-term maturity of these instruments. Marketable securities and derivative liabilities are carried at fair value as of December 31, 2014 and 2013.

At December 31, 2014 and 2013, the Company's investments in mortgage backed securities had a carrying value of $68.0 million and $58.7 million. The Company estimated the fair value of investment in mortgage backed securities at December 31, 2014 and 2013 to be approximately $96.0 million and $86.2 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 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.

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

The Company uses interest rate swaps, interest rate cap contracts, and forward starting swaps 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 used interest rate swaps and interest rate forward-starting swaps as part of its cash flow hedging strategy. The Company was hedging its exposure to the variability in future cash flows for a portion of its forecasted transactions.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

As of December 31, 2014 and 2013, there were no outstanding forward starting swaps. The Company records all derivatives on its consolidated balance sheet 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 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 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 as cash flow hedges, changes in fair value are recognized in earnings. All of the Company's interest rate swaps and interest rate caps are considered cash flow hedges except for the swap related to the multifamily revenue refunding bonds for the 101 San Fernando community that was terminated in 2012 as described in detail in Note 9. The Company did not have any fair value hedges during the years end December 31, 2014, 2013 and 2012.

(l) Deferred Charges

Deferred charges are principally comprised of loan fees and related costs which are amortized over the terms of the related borrowing in a manner which approximates the effective interest method.

(m) Income Taxes

Generally in any year in which ESS 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, 2014 as ESS 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 ESS 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. The activities and tax related provisions, assets and liabilities are not material.

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

The status of cash dividends distributed for the years ended December 31, 2014, 2013, and 2012 related to common stock, Series F, Series G, and Series H preferred stock are classified for tax purposes as follows:

	2014		2013		2012	
Common Stock						
Ordinary income	70.03	%	77.34	%	70.58	%
Capital gain	21.95	%	17.64	%	8.75	%
Unrecaptured section 1250 capital gain	8.02	%	5.02	%	7.97	%
Return of capital	—	%	—	%	12.70	%
	100.00	%	100.00	%	100.00	%

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

	2014		2013		2012	
Series F, G, and H Preferred stock						
Ordinary income	70.03	%	77.34	%	80.85	%
Capital gains	21.95	%	17.64	%	10.02	%
Unrecaptured section 1250 capital gain	8.02	%	5.02	%	9.13	%
	100.00	%	100.00	%	100.00	%

(n) Preferred Stock

The Company's Series G Cumulative Convertible Preferred Stock ("Series G Preferred Stock") contains fundamental change provisions that allow the holder to redeem the preferred stock for cash if certain events occur. The redemption under these provisions is not solely within the Company's control, thus the Company has classified the Series G Preferred Stock as temporary equity in the accompanying consolidated balance sheets as of December 31, 2013. During the second quarter of 2014, all of the shares of Series G Preferred Stock were converted into shares of common stock.

(o) 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.

(p) Changes in Accumulated Other Comprehensive Loss by Component

Essex Property Trust, Inc.

	Change in fair value and amortization of derivatives		Unrealized gains/(losses) on available for sale securities		Total	
Balance at December 31, 2013, net of noncontrolling interest	$(59,724	)	$(748	)	$(60,472	)
Other comprehensive income before reclassification	758		6,140		6,898	
Amounts reclassified from accumulated other comprehensive loss	2,963		(841	)	2,122	
Net other comprehensive income	3,721		5,299		9,020	
Balance at December 31, 2014, net of noncontrolling interest	$(56,003	)	$4,551		$(51,452	)

Essex Portfolio, L.P.

	Change in fair value and amortization of derivatives	Unrealized gains/(losses) on	Total

		available for sale securities	
Balance at December 31, 2013	$(58,148)	$(792)	$(58,940)
Other comprehensive income before reclassification	1,205	6,302	7,507
Amounts reclassified from accumulated other comprehensive loss	2,963	(886)	2,077
Net other comprehensive income	4,168	5,416	9,584
Balance at December 31, 2014	$(53,980)	$4,624	$(49,356)

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

(q) Accounting Estimates

The preparation of consolidated financial statements, in accordance with U.S. generally accepted accounting principles ("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, its notes receivable and its qualification as a REIT. 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) BRE Merger

The merger with BRE was a two-step process. First, 14 of the BRE properties were acquired on March 31, 2014 in exchange for $1.4 billion of OP units. The preliminary fair value of these properties was substantially all attributable to rental properties which included land, buildings and improvements, and real estate under development and approximately $19 million was attributable to acquired in-place lease value. Second, the BRE merger closed on April 1, 2014 in exchange for the total consideration of approximately $4.3 billion.

The preliminary fair values of the assets and liabilities acquired on April 1, 2014 (including the 14 properties acquired on March 31, 2014 as the OP units issued were retired on April 1, 2014) recorded were based upon a preliminary valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period. The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure the assets and liabilities acquired in the business combination, not to exceed one year from the acquisition date. The preliminary valuation of the assets acquired and liabilities assumed for the BRE merger is as follows (in millions):

Cash assumed	$140	
Rental properties and real estate under development	5,618	
Real estate held for sale, net	108	
Co-investments	218	
Acquired in-place lease value	77	
Other assets	16	
Mortgage notes payable and unsecured debt	(1,747	)
Other liabilities	(94	)
Redeemable noncontrolling interest	(5	)
	$4,331	
Cash consideration for BRE merger	$556	

Equity consideration for BRE merger	3,775
Total consideration for BRE merger	$4,331

During the measurement period related to the BRE merger, the Company recorded an adjustment to increase the preliminary fair value of personal property by $100.9 million with an estimated useful life of 5 years with an offsetting decrease in real property with an estimated useful life of 30 years, all of which are classified within rental properties and real estate under development. The changes in estimates were the result of additional accounting information identified by management. The

Company believes that the information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize the fair values related to insurance recoveries and legal contingencies. Thus, the provisional measurements of fair value set forth above are subject to change further. The Company expects to complete the purchase accounting process as soon as practicable but no later than one year from the acquisition date.

The unaudited pro forma financial information set forth below is based on Essex's historical consolidated statement of income for the years ended December 31, 2014 and December 31, 2013, adjusted to give effect to the merger with BRE including the 14 BRE properties acquired on March 31, 2014, as if they occurred on January 1, 2013. The pro forma adjustments primarily relate to merger expenses, depreciation expense on acquired buildings and improvements, amortization of acquired intangibles, and estimated interest expense related to assumed debt.

Essex Property Trust, Inc.

	Pro forma (unaudited) year ended December 31 (in thousands, except per share data)	
	2014	2013
Total Revenue	$1,055,460	$944,410
Net income available to common stockholders (1) (2)	$263,440	$141,504
Earnings per share, diluted (1)	$4.08	$2.26

Essex Portfolio, L.P.

	Pro forma (unaudited) year ended December 31 (in thousands, except per unit data)	
	2014	2013
Total Revenue	$1,055,460	$944,410
Net income available to common unitholders (1) (2)	$263,585	$141,175
Earnings per unit, diluted (1)	$4.08	$2.26

(1) 2014 supplemental pro forma net income available to common stockholders was adjusted to exclude $53.5 million of merger and integration related costs incurred by Essex during the year ended December 31, 2014. 2013 supplemental pro forma net income available to common stockholders was adjusted to include these charges. 2014 and 2013 supplemental pro forma earnings per share, diluted, were adjusted by approximately 23.1 million shares due to the common stock issued in connection with the merger.

(2) The supplemental pro forma net income available to common shareholders for the year ended December 31, 2014 include approximately $105 million from discontinued operations related to the sale of three BRE properties during the quarter ended March 31, 2014 that are non-recurring transactions.

Revenues of approximately $283.3 million and net loss of approximately $17.2 million associated with properties acquired in 2014 in the BRE merger are included in the consolidated statements of income for the twelve months ended December 31, 2014 for both Essex and the Operating Partnership.

(3) Real Estate Investments

(a) Acquisitions of Real Estate

For the year ended December 31, 2014, in addition to the BRE merger, the Company purchased six communities consisting of 1,480 units for $460.7 million.

For the year ended December 31, 2013, the Company purchased six communities consisting of 1,079 units for $349.1 million.

(b) Sales of Real Estate Investments

During 2014, the Company sold four communities consisting of 594 units for $120.4 million resulting in gains totaling $43.6 million.

During 2013, the Company sold three communities consisting of 363 units for $57.5 million resulting in gains totaling $29.2 million.

During the first quarter of 2013, the Company sold a land parcel held for future development located in Palo Alto, California for $9.1 million, which resulted in a gain of $1.5 million.

During 2012, the Company sold two communities consisting of 264 units for $28.3 million resulting in gains totaling $10.9 million.

(c) Co-investments

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

Palm Valley Apartments

On October 31, 2014, the Company acquired a 50% interest in Palm Valley Apartments ("Palm Valley") located in San Jose, California for $180 million. The property is encumbered by a $220 million mortgage loan, bearing interest at 5.6% per annum and maturing in February 2017, of which Essex's pro-rata share is approximately $110 million. As of December 31, 2014, Palm Valley Apartments had an aggregate undepreciated carrying value of approximately $370.8 million.

Wesco I and Wesco III

Wesco I and III are 50/50 programmatic joint ventures with an institutional partner. Under the terms of Wesco I's and III's operating agreements, Essex is entitled to asset management, property management, development and redevelopment service fees. Essex is entitled to its 50% pro rata share of the income or loss generated by these entities and upon the achievement of certain performance measures, is entitled to promote income. The Company has contributed $270 million to Wesco I and III. As of December 31, 2014, Wesco I owned nine apartment communities with 2,713 units with an aggregate undepreciated carrying value of approximately $682.4 million and Wesco III owned six apartment communities with 993 units with an aggregate undepreciated carrying value of approximately $230.7 million.

Wesco IV and BEXAEW

On April 1, 2014, in connection with the merger, the Company acquired a 50% interest in Wesco IV and a 50% interest in BEXAEW LLC ("BEXAEW"). Wesco IV and BEXAEW's remaining 50% interest is owned by institutional partners. Wesco IV and BEXAEW expect to utilize debt targeted at approximately 50% and 60%, respectively, of the cost to acquire and improve real estate. Under the terms of Wesco IV's and BEXAEW's operating agreements, Essex is entitled to asset management, property management, development and redevelopment service fees. Essex is entitled to its 50% pro rata share of the income or loss generated by these entities and, upon the achievement of certain performance measures, is entitled to promote income. As of December 31, 2014, Wesco IV owned five apartment communities with 1,116 units with an aggregate undepreciated carrying value of approximately $297.9 million. As of December 31, 2014, BEXAEW owned nine apartment communities with 2,723 units with an aggregate undepreciated carrying value of approximately $519.2 million.

Essex Apartment Value Fund II, L.P.

The Company contributed $75.0 million to Essex Apartment Value Fund II, L.P. ("Fund II"), which represents a 28.2% interest as general partner and limited partner. As of December 31, 2014, Fund II was in liquidation.

During the year ended December 31, 2014, Fund II sold the two remaining communities for gross proceeds of $47.3 million and the Company recognized promote income of $9.5 million. In connection with the 2014 sales, Fund II incurred a prepayment penalty on debt of which the Company's pro rata share was $0.2 million. The total gain on the sales was $23.3 million, of which the Company's pro rata share was $6.6 million, net of internal disposition costs.

During the year ended December 31, 2013, Fund II sold five communities for gross proceeds of $320.4 million. In connection with the 2013 sales, Fund II incurred a prepayment penalty on debt of which the Company's pro rata share was $0.4 million. The total gain on the sales was $146.8 million, of which the Company's pro rata share was $38.8 million, net of internal disposition costs.

During the year ended December 31, 2012, Fund II sold seven communities for gross proceeds of $413.0 million. In connection with the 2012 sales, Fund II incurred a prepayment penalty on debt of which the Company's pro rata share was $2.3 million. The total gain on the sales was $106.0 million, of which the Company's pro rata share was $29.1 million.

Expo

In December 2010, the Company entered into a 275 unit development joint venture in Seattle, Washington with a partner who contributed a land parcel during the first quarter of 2011 in return for a 50% interest in the venture and the Company contributed cash equal to the value of the land in return for a 50% interest in the joint venture. As of December 31, 2014 the aggregate undepreciated carrying value was approximately $65.3 million.

Canada Pension Plan Investment Board – Joint Venture Developments

The Company has entered into seven development joint ventures with the Canada Pension Plan Investment Board ("CPPIB") to develop seven apartment communities. For each joint venture the Company holds a 50% to 55% non-controlling interest in the venture and will earn customary management fees and may earn development, asset property management fees and may also earn a promote interest. These co-investments are not variable interest entities since they have sufficient equity without additional subordinated support, and the Company and CPPIB jointly have the power to direct activities that most significantly impact the co-investments' economic performance. Each of the co-investments between the Company and CPPIB has a single general partner, which is a subsidiary consolidated by the Company. However, the Company, as general partner of the co-investments, does not control the co-investments because the limited partners have substantive participating rights. Therefore, the presumption of control by the Company as general partner is overcome by the rights held by CPPIB, and the Company records the co-investments with CPPIB on the equity method of accounting.

As of December 31, 2014, the Company and CPPIB have seven active developments projects comprised of 1,424 units for total estimated costs of $650.0 million. At December 31, 2014, the total remaining estimated costs to be incurred on these projects was $205.0 million of which the Company's portion of the remaining costs were $111.3 million.

Connolly Station, a 309 unit community in Dublin, California, a development joint venture with CPPIB, stabilized its operations in the first quarter of 2014.

Epic is a development joint venture with CPPIB in San Jose, California. Phase I, a 280 unit community, stabilized its operations in the fourth quarter of 2013 and Phase II, a 289 unit community, stabilized its operations in the second quarter of 2014. Epic – Phase III is currently under development.

The Huxley and The Dylan

In 2011, the Company entered into two development joint ventures with a regional developer for the construction of The Huxley and The Dylan, two communities with 371 units and approximately 30,950 square feet of retail located in West Hollywood, California. The regional developer contributed the land and the Company contributed approximately $14.8 million in cash for a 50% interest in the ventures. The joint ventures obtained bond financing for the project in the amount of $114.4 million with maturity dates of October 2046 and December 2046 and entered into an interest rate swap transaction with respect to the bonds that terminates in September 2016 and December 2016 and that effectively converts the interest rate to the Securities Industry and Financial Market Association Municipal Swap Index ("SIFMA Municipal Swap Index") plus 150 basis points through December 2016. The Huxley stabilized its operations in the second quarter of 2014. As of December 31, 2014 the aggregate undepreciated carrying values of The Huxley and The Dylan were approximately $72.2 million and $74.1 million respectively.

One South Market

In May 2013, the Company entered into a development joint venture to develop a 312 unit community in San Jose, California. The Company holds a 55% non-controlling interest in the venture and will earn customary development, asset, and property management fees and may also earn a promote interest. The co-investment is not a variable interest entity since it has sufficient equity without additional subordinated support, and the Company and the partner jointly have the power to direct activities that most significantly impact the co-investment economic performance. The co-investment has a single general partner, which is a subsidiary consolidated by the Company. However, the Company, as general partner of the co-investment, does not control the co-investments because the limited partner has substantive participating rights. Therefore, the presumption of control by the Company as general partner is overcome by the rights held by the limited partner, and the Company records the co-investments on the equity method of accounting.

As of December 31, 2014, the project's total estimated costs were $145.0 million. At December 31, 2014, the total remaining estimated costs to be incurred on this project were $25.0 million of which the Company's portion of the remaining costs was $13.8 million.

Century Towers

In July 2014, the Company entered into a joint venture to develop Century Towers, a multifamily community containing 376 apartment homes located in San Jose, California. The Company has a 50% ownership interest in the development which has a projected total cost of $172 million. The joint venture has obtained a $90 million construction loan that floats at LIBOR plus 175 basis points for a three year term with two one-year extension options. Construction began in the third quarter of 2014 and the property is expected to open in the first quarter of 2017. The Company has also committed to a $27 million preferred equity investment in the project, which accrues an annualized preferred return of 8.1%. The Company will earn customary development, asset, and property management fees and may also earn a promote interest. The co-investment is not a variable interest entity since it has sufficient equity without additional subordinated support, and the Company and the partner jointly have the power to direct activities that most significantly impact the co-investment economic performance. The co-investment has a single general partner, which is a subsidiary consolidated by the Company. However, the Company, as general partner of the co-investment, does not control the co-investments because the limited partner has substantive participating rights. Therefore, the presumption of control by the Company as general partner is overcome by the rights held by the partner, and the Company records the co-investments on the equity method of accounting.

As of December 31, 2014, the project's total estimated costs were $172 million. At December 31, 2014, the total remaining estimated costs to be incurred on this project were $132 million, of which the Company's portion of the remaining costs was $66 million.

Preferred Equity Investments

During the fourth quarter of 2014, the Company received cash of $101.0 million for its share of the redemption of a preferred equity investment related to a property located in San Francisco, California. The Company recorded $5.3 million of income from penalties due to the early redemption of this preferred equity investment which is included in equity income from co-investments in the consolidated statements of income.

In 2013, the Company received the redemption of $22.8 million of preferred equity related to three properties located in Los Angeles, California. The Company recorded $0.9 million of income from redemption penalties due to the early redemption of these preferred equity investments.

In 2013, the Company restructured the terms of a preferred equity investment with a related party entity on a property located in Anaheim, California, reducing the rate from 13% to 9%, while extending the maximum term by one year. The Company recorded a $0.4 million restructuring fee related to the restructured investment.

In 2012, the Company made a $14 million preferred equity investment in an apartment community located in Cupertino, California to a related party entity. The investment has a preferred return of 9.5% and matures in May 2016. The preferred equity agreement provides for up to $4 million of additional funding for renovation costs.

The carrying values of the Company's co-investments, all accounted for under the equity method of accounting, as of December 31, 2014 and 2013 are as follows ($ in thousands):

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

	2014	2013
Membership interest/Partnership interest in:		
Wesco I and III	$188,404	$181,098
Fund II	696	4,166
Expo	7,352	12,041
The Huxley	11,471	11,224
Connolly Station	46,653	45,242
Epic Phase I and II	122,968	106,845
Wesco IV	86,289	—
BEXAEW	73,771	—
Palm Valley	70,186	—
Total operating co-investments	607,790	360,616
Membership interest in:		
Limited liability companies with CPPIB that own and are developing Epic Phase III, Mosso I and II, Park 20, The Emme, The Owens and Hacienda	268,016	149,451
One South Market	30,919	17,115
The Dylan	7,874	7,321
Century Towers	13,121	—
Total development co-investments	319,930	173,887
Membership interest in Wesco II that owns a preferred equity interest in Park Merced with a preferred return of 10.1%	—	94,711
Preferred interest in related party limited liability company that owns Sage at Cupertino with a preferred return of 9.5% (matures in May 2016)	16,571	15,775
Preferred interest in a related party limited liability company that owns Madison Park at Anaheim with a preferred return of 9% (matures in September 2020)	13,824	13,824
Preferred interest in related party limited liability company that owns an apartment development in Redwood City with a preferred return of 12% (matures in July 2016 with one one-year extension option)	10,396	9,455
Preferred interest in a limited liability company that owns an apartment development in San Jose with a preferred return of 12% (matures in August 2016 with one one-year extension option)	10,011	8,865
Preferred interest in a limited liability company that owns 8th & Thomas with a preferred return of 10.0% (matures in June 2018 with one one-year extension option)	13,145	—
Preferred interest in a limited liability company that owns Newbury Park with a preferred return of 12.0% (matures in January 2019)	13,150	—
Preferred interest in a limited liability company that owns Century Towers (1) (matures in August 2019)	12,357	—
Preferred interest in a limited liability company that owns an apartment development in San Jose with a preferred return of 9% (matures in January 2023)	19,237	—
Total preferred interest investments	108,691	142,630
Total co-investments	$1,036,411	$677,133

(1) The Company has committed to a total preferred equity investment in the project of $27.0 million at an effective preferred return rate of 8.1%. As of December 31, 2014 the Company has made a preferred equity investment of $12.0 million.

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

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

	December 31, 2014	2013
Balance sheets:		
Rental properties and real estate under development	$3,426,574	$1,953,328
Other assets	107,902	61,578
Total assets	$3,534,476	$2,014,906
Debt (1)	$1,677,089	$690,132
Other liabilities	91,579	125,479
Equity	1,765,808	1,199,295
Total liabilities and partners' equity	$3,534,476	$2,014,906
Company's share of equity	$1,036,411	$677,133

	Years ended December 31, 2014	2013	2012
Statements of operations:			
Property revenues	$188,548	$100,402	$130,128
Property operating expenses	(71,419)	(37,518)	(55,990)
Net operating income	117,129	62,884	74,138
Gain on sale of real estate	23,333	146,758	106,016
Interest expense	(39,990)	(24,155)	(34,959)
General and administrative	(6,321)	(5,344)	(3,697)
Equity income from co-investments (2)	26,798	18,703	18,051
Depreciation and amortization	(74,657)	(36,831)	(47,917)
Net income	$46,292	$162,015	$111,632
Company's share of net income (3)	$39,893	$55,865	$41,745

(1) Includes preferred equity investments held by the Company.
(2) Represents income from Wesco II's preferred equity investment in Park Merced.
(3) Includes the Company's share of equity income from co-investments, income from preferred equity investments, gain on sale of co-investments, co-investment promote income, and income from early redemption of preferred equity investments.

(d) Real Estate under Development

The Company defines development activities as new properties 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, 2014, the Company had two consolidated development projects, ten unconsolidated joint venture development projects, and various consolidated predevelopment projects, aggregating 2,920 units for an estimated total cost of $1.5 billion, of which $420.0 million remains to be expended. The Company’s portion of the remaining costs was $250.0 million.

F- 36

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

(4) Notes and Other Receivables

Notes receivables, secured by real estate, and other receivables consist of the following as December 31, 2014 and 2013 ($ in thousands):

	2014	2013
Note receivable, secured, bearing interest at 6.0%, due December 2016	$3,212	$3,212
Notes and other receivables from affiliates (1)	8,105	60,968
Other receivables (2)	13,606	4,075
	$24,923	$68,255

(1) The Company had $8.1 million of short-term loans outstanding and due from various legacy and BRE joint ventures. See Note 5, Related Party Transactions, for additional details. In 2013, the Company has provided two bridge loans totaling $56.8 million to Wesco III at a rate of LIBOR +2.50%. Wesco III repaid these two loans in 2014.

(2) Represents receivables for utilities, rents, and other receivables.

During the year ended December 31, 2013, the Company received the repayment of three notes receivables totaling $30.5 million. One of the notes was repaid early, and the Company recorded $0.8 million of income related to a change in estimate on the discount to the note receivable.

(5) 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 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.
Fund II paid brokerage commissions totaling $0.6 million and $0.4 million, respectively, to an affiliate of MMI related to the sales of properties in 2013 and 2012, respectively. There were no brokerage commissions paid by the Company to MMI or its affiliates during 2014, 2013, and 2012.

The Company charges certain fees to its co-investments for asset management, property management, development and redevelopment services. These fees from affiliates total $16.5 million, $11.5 million, and $10.9 million for the years ended December 31, 2014, 2013, and 2012, respectively. All of these fees are net of intercompany amounts eliminated by the Company.

In July 2014, the Company acquired Paragon Apartments, a 301 unit apartment community located in Fremont, CA for $111.0 million from an entity that was partially owned by an affiliate of MMC. Independent members of the Company's Board of Directors that serve on the Nominating and Corporate Governance and Audit Committees approved the investment.

As described in Note 4, the Company has provided short-term bridge loans to affiliates. As of December 31, 2014, $8.1 million of short-term loans remained outstanding from various legacy and BRE joint ventures.

In 2012, the Company provided a $26.0 million short-term bridge loan to Wesco III at a rate of LIBOR plus 2.50% to assist with the purchase of Haver Hill in 2012. The short term bridge loan was repaid in March 2013.

As described in Note 3, the Company restructured the terms of a preferred equity investment in a property located in Anaheim, California, reducing the rate from 13% to 9%, while extending the maximum term by one year. The Company recorded $0.4 million of income related to the restructured investment. The entity that owns the property is an affiliate of MMC. Independent directors (other than Mr. Marcus) on the Company's Board of Directors that serve on the Nominating and Corporate Governance and Audit Committees approved the restructuring of the investment in this entity.

In January 2013, the Company invested $8.6 million as a preferred equity interest investment in an entity affiliated with MMC that owns an apartment development in Redwood City, California. Independent directors (other than Mr. Marcus) on the Company's Board of Directors that serve on the Nominating and Corporate Governance and Audit Committees approved the investment in this entity.

In 2012, the Company invested $14.0 million as a preferred equity interest investment in an entity affiliated with MMC that owns an apartment community in Cupertino, California. The investment has a preferred return of 9.5% and matures in May 2016. The Company expects to invest an additional $4.0 million in preferred equity to fund renovation costs. Independent directors (other than Mr. Marcus) on the Company's Board of Directors approved the investment in this entity.

In 2012, the Company acquired Montebello, a 248 unit apartment community in Kirkland, Washington for $52.0 million from an entity affiliated with MMC, and Wesco I acquired Riley Square (formerly Waterstone Santa Clara), a 156 unit apartment community in Santa Clara, California for $38.3 million from an entity affiliated with MMC. Independent directors (other than Mr. Marcus) on the Company's Board of Directors approved the acquisitions of Montebello and Riley Square.

An Executive Vice President of the Company invested $4.0 million for a 3% limited partnership interest in a partnership with the Company that owns Essex Skyline at MacArthur Place. The Executive Vice President's investment is equal to a pro-rata share of the contributions to the limited partnership. The Executive Vice President's investment also receives pro-rata distributions resulting from distributable cash generated by the property if and when distributions are made.

(6) Discontinued Operations

The Company determined that the disposals through the year ended December 31, 2014 were not a discontinued operation in accordance with ASU 2014-018. The gains related to these disposals are recorded in gains on sale of real estate and land in the consolidated statements of income.

During 2013, the Company sold Linden Square, a 183 unit community located in Seattle, Washington for $25.3 million, resulting in a gain of $12.7 million. Also during 2013, the Company sold Cambridge, a 40 unit property located in Chula Vista, California for $4.7 million, resulting in a gain of $2.5 million, and Brentwood, a 140 unit property located in Santa Ana, California for $27.5 million, resulting in a gain of $14.0 million.

During 2012, the Company sold two communities for a total of $28.3 million resulting in gains totaling $10.9 million.

The Company has recorded the gains on sales and operations for these various assets sold described above as part of discontinued operations in the accompanying consolidated statements of income. The components of discontinued operations are outlined below and include the results of operations for the respective periods that the Company owned such assets, as described above ($ in thousands):

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

	2013	2012
Revenues	$4,454	$5,848
Property operating expenses	(1,406)	(2,181)
Depreciation and amortization	(1,098)	(1,513)
Expenses	(2,504)	(3,694)
Operating income from real estate sold	1,950	2,154
Gain on sale of real estate	29,223	10,870
Internal disposition costs	—	(1,087)
Income from discontinued operations	$31,173	$11,937

(7) Mortgage Notes Payable

ESS 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, 2014 and 2013 ($ in thousands):

	2014	2013
Fixed rate mortgage notes payable	$2,056,742	$1,236,479
Variable rate mortgage notes payable (1)	189,202	167,601
Total mortgage notes payable (2)	$2,245,944	$1,404,080
Number of properties securing mortgage notes	67	49
Remaining terms	1-26 years	1-26 years
Weighted average interest rate	4.6%	5.6%

The aggregate scheduled principal payments of mortgage notes payable at December 31, 2014 are as follows ($ in thousands):

2015	$94,580
2016	41,481
2017	198,683
2018	320,080
2019	565,801
Thereafter	941,526
	$2,162,151

(1) Variable rate mortgage notes payable 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 defined in the Loan Agreement (approximately 1.8% at December 2014 and 1.6% at December 2013) plus credit enhancement and underwriting fees ranging from approximately 1.2% to 1.9%. Among the terms imposed on the properties, which are security for the bonds, is a requirement that 20% of the units are subject to tenant income criteria. Principal balances are due in full at various maturity dates from February 2015 through April 2040. Of these bonds $153.2 million are subject to various interest rate cap agreements, which limit the maximum interest rate to such bonds.

(2) Includes total unamortized premium of $83.8 million and $11.5 million as of December 31, 2014 and December 31, 2013, respectively.

For the Company's mortgage notes payable as of December 31, 2014, monthly interest expense and principal amortization, excluding balloon payments, totaled approximately $9.4 million and $3.3 million, respectively. Second deeds of trust accounted for $58.2 million of the $2.2 billion in mortgage notes payable as of December 31, 2014. 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 mortgage note payable which is calculated by multiplying the principal being prepaid by the difference between the interest rate of the mortgage note and the stated yield rate on a specified U.S. treasury security as defined in the mortgage note agreement.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

(8) Unsecured Debt and Lines of Credit

ESS does not have any indebtedness as all debt is incurred by the Operating Partnership. ESS 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.

Unsecured debt and lines of credit consist of the following as of December 31, 2014 and 2013 ($ in thousands):

	2014		2013		Weighted Average Maturity In Years
Bonds private placement - fixed rate	$465,000		$465,000		4.2
Term loan - variable rate	225,000		350,000		1.9
Bonds public offering - fixed rate	1,927,482		595,023		7.1
Unsecured debt [(1)]	2,617,482		1,410,023		
Lines of credit	246,391		219,421		
Total unsecured debt	$2,863,873		$1,629,444		
Weighted average interest rate on fixed rate unsecured bonds	3.6	%	4.0	%	
Weighted average interest rate on variable rate term loan	2.4	%	2.5	%	
Weighted average interest rate on lines of credit	1.8	%	2.2	%	

(1) Includes unamortized premium of $27.5 million and discount of $5.0 million as of December 31, 2014 and December 31, 2013, respectively.

As of December 31, 2014 and 2013, the Company had $465.0 million of private placement unsecured bonds outstanding at an average effective interest rate of 4.5%.

The following is a summary of the Company's unsecured private placement bonds as of December 31, 2014 and 2013 ($ in thousands):

	Maturity	2014	2013	Coupon Rate	
Senior unsecured private placement notes	March 2016	$150,000	$150,000	4.36	%
Senior unsecured private placement notes	September 2017	40,000	40,000	4.50	%
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	%
		$465,000	$465,000		

As of December 31, 2014 and 2013, the Company had unsecured term loans outstanding of $225.0 million and $350.0 million at an average interest rate of 2.4% and 2.5%, respectively. The term loans are at a variable interest rate of LIBOR plus 1.05%. The Company entered into interest rate swap contracts for a term of five years with a notional amount totaling $225.0 million, which effectively converted the interest rate on $225.0 million of the term loans to a fixed rate of 2.4%.

In April 2014, the Company, assumed $900.0 million aggregate principal amount of BRE's 5.500% senior notes due 2017; 5.200% senior notes due 2021; and 3.375% senior notes due 2023 (together "BRE Notes"). The carrying value of the BRE Notes, plus premium was $934.7 million as of December 31, 2014.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

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, 2014, the carrying value of the 2024 Notes, net of discount was $397.2 million.

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, 2014 and 2013, the carrying value of the 2023 Notes, net of discount was $298.0 million and $297.7 million.

During the third quarter 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. As of December 31, 2014 and 2013, the carrying value of the 2022 Notes, net of discount was $297.6 million and $297.3 million, respectively.

The following is a summary of the Company’s senior unsecured notes as of December 31, 2014 and 2013 ($ in thousands):

	Maturity	2014	2013	Coupon Rate	
Senior notes	March 2017	300,000	—	5.500	%
Senior notes	March 2021	300,000	—	5.200	%
Senior notes	August 2022	300,000	300,000	3.625	%
Senior notes	January 2023	300,000	—	3.375	%
Senior notes	May 2023	300,000	300,000	3.250	%
Senior notes	May 2024	400,000	—	3.875	%
		1,900,000	600,000		

The aggregate scheduled principal payments of unsecured debt payable, excluding lines of credit, at December 31, 2014 are as follows ($ in thousands):

2015	$—
2016	350,000
2017	365,000
2018	—

2019	75,000
Thereafter	1,800,000
	$ 2,590,000

The Company has two lines of credit aggregating $1.03 billion as of December 31, 2014. The Company has a $1 billion credit facility with an underlying interest rate based on a tiered rate structure tied to Fitch and S&P ratings on the credit facility and the rate was LIBOR plus 0.95% as of December 31, 2014. As of December 31, 2014 and 2013, the balance of the $1 billion credit facility was $229.8 million and $199.0 million, respectively. On January 2015, the facility maturity date was extended to

December 31, 2018 with one 18-month extension, exercisable by the Company. The Company also has a working capital unsecured line of credit agreement for $25.0 million. This facility matures in January 2016, with a one year extension option. The underlying interest rate on the $25.0 million line is based on a tiered rate structure tied to Fitch and S&P ratings on the credit facility of LIBOR plus 0.95%. As of December 31, 2014 and 2013, there was a $16.6 million and $20.4 million balance, respectively, outstanding on this unsecured line.

The Company's unsecured line 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, 2014 and 2013.

(9) Derivative Instruments and Hedging Activities

The Company uses interest rate swaps and interest rate cap 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 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 $225.0 million that effectively fixed the interest rate on the $225.0 million unsecured term loan at 2.4% through July 2017. These derivatives qualify for hedge accounting.

During the fourth quarter 2014, the Company terminated $125.0 million of swaps with respect to the $225.0 million of the unsecured term loan.

As of December 31, 2014 the Company had interest rate cap contracts totaling a notional amount of $153.2 million that effectively limit the Company's exposure to interest rate risk by providing a ceiling on the underlying variable interest rate for $153.2 million of the Company's tax exempt variable rate debt.

As of December 31, 2014 and 2013, the aggregate carrying value of the interest rate swap contracts was a liability of $1.8 million and $2.7 million, respectively. The aggregate carrying value of the interest rate cap contracts was zero on the balance sheet as of December 31, 2014 and December 31, 2013.

During the third quarter 2012, the Company terminated a swap transaction with respect to the $38.0 million of tax-exempt bonds for the 101 San Fernando apartment community with Citibank because the bonds were repurchased by the Company at par.

Hedge ineffectiveness related to cash flow hedges, which is reported in current year income as interest expense, net was not significant for the years ended December 31, 2014, 2013 and 2012.

(10) Lease Agreements

As of December 31, 2014 the Company is a lessor for four commercial buildings and the commercial portions of 32 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):

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

	Future Minimum Rent
2015	$12,348
2016	9,898
2017	9,003
2018	8,123
2019	7,350
Thereafter	28,647
	$75,369

(11) Equity Transactions

Preferred Securities Offerings

During the third quarter of 2006, the Company sold 5,980,000 shares of 4.875% Series G Cumulative Convertible Preferred Stock (“Series G”) for gross proceeds of $149.5 million. Holders may convert Series G into shares of ESS common stock subject to certain conditions. The conversion rate was initially .1830 shares of common stock per the $25 share liquidation preference, which is equivalent to an initial conversion price of approximately $136.62 per share of common stock (the conversion rate will be subject to adjustment upon the occurrence of specified events). ESS may, under certain circumstances, cause some or all of the Series G to be converted into that number of shares of common stock at the then prevailing conversion rate. During the second quarter of 2014, each share of the Company's Series G was converted into 0.19301 shares of common stock. There were 178,249 shares of Series G converted into 34,403 shares of Common Stock. As of December 31, 2013, there were 178,249 shares outstanding of Series G with an aggregate liquidation value of $4.5 million.

During the second quarter of 2011, the Company issued 2,950,000 shares of 7.125% Series H Cumulative Redeemable Preferred Stock (“Series H”) at a price of $25.00 per share for net proceeds of $71.2 million, net of costs and original issuance discounts. The Series H has no maturity date and generally may not be called by the Company before April 13, 2016. Net proceeds from the Series H offering were contributed to the Operating Partnership for a 7.125% Series H Cumulative Redeemable Preferred Interest. As of December 31, 2014 and 2013, there were 8,000,000 shares authorized and 2,950,000 shares outstanding of Series H with an aggregate liquidation value of $73.8 million.

Common Stock Offerings

In April 2014, Essex issued approximately 23,067,446 shares of Essex common stock as Stock Consideration in the BRE merger at an average price of $163.82.

In addition, during 2014, ESS sold 2,964,315 shares of common stock for proceeds of $534.0 million, net of fees and commissions, at an average price of $181.56.

During 2013 and 2012, ESS issued 913,344 and 2,404,096 shares of common stock in each period for proceeds of $138.4 million and $357.7 million, net of fees and commissions, respectively.

Operating Partnership Units and Long Term Incentive Plan (“LTIP”) Units

As of December 31, 2014 and 2013, the Operating Partnership had outstanding 2,110,462 and 2,031,612 operating partnership units and 91,348 and 118,190 vested LTIP units, respectively. The Operating Partnership’s general partner, ESS, owned 96.7% and 94.6% of the partnership interests in the Operating Partnership at December 31, 2014 and 2013, respectively, and ESS is responsible for the management of the Operating Partnership’s business. As the general partner of the Operating Partnership, ESS effectively controls the ability to issue common stock of ESS upon a limited partner’s notice of redemption. ESS has generally acquired 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 ESS to settle in either cash or common stock at the option of ESS 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 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 redemption value of the OP units owned by the limited partners, not including ESS, had such units been redeemed at December 31, 2014, was approximately $455 million based on the closing price of ESS's common stock as of December 31, 2014.

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

Essex Property Trust, Inc.

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

	2014			2013			2012		
	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:									
Income from continuing operations available to common stockholders	$116,859	56,546,959	$2.07	$121,324	37,248,960	$3.26	$108,532	35,032,491	$3.10
Income from discontinued operations available to common stockholders	—	56,546,959	—	29,487	37,248,960	0.79	11,280	35,032,491	0.32
	$116,859		$2.07	$150,811		$4.05	$119,812		$3.42
Effect of Dilutive Securities (1)	—	149,566		—	86,335		—	92,430	
Diluted:									

Income from continuing operations available to common stockholders (1)	$116,859	56,696,525	$2.06	$121,324	37,335,295	$3.25	$108,532	35,124,921	$3.09
Income from discontinued operations available to common stockholders	—	56,696,525	—	29,487	37,335,295	0.79	11,280	35,124,921	0.32
	$116,859		$2.06	$150,811		$4.04	$119,812		$3.41

(1) Weighted average convertible limited partnership units of 2,224,707, 2,131,425, and 2,219,046, which include vested Series Z Incentive Units, Series Z-1 Incentive Units, 2014 Long-Term Incentive Plan Units, and 2015 Long-Term Incentive Plan Units (collectively referred to as "LTIP Units"), for the years ended December 31, 2014, 2013 and 2012, respectively, were not included in the determination of diluted earnings per share calculation because they were anti-dilutive. The Company has the ability to redeem DownREIT limited partnership units for cash and does not consider them to be potentially dilutive securities.

Stock options of 10,843; 168,325; and 263,613; for the years ended December 31, 2014, 2013, and 2012, respectively, were not included in the diluted earnings per share calculation because the assumed proceeds per share of these options plus the average unearned compensation were greater than the average market price of the common shares for the years ended and, therefore, were anti-dilutive.

All shares of cumulative convertible Series G preferred stock have been excluded from diluted earnings per share for the years ended 2014, 2013, and 2012 respectively, as the effect was anti-dilutive.

Essex Portfolio, L.P.

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

	2014			2013			2012		
	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:									
Income from continuing operations available to common unitholders	$121,726	58,771,666	$2.07	$128,576	39,380,385	$3.27	$115,834	37,251,537	$3.11
Income from discontinued operations	—	58,771,666	—	31,173	39,380,385	0.79	11,937	37,251,537	0.32
Income available to common unitholders	$121,726		$2.07	$159,749		$4.06	$127,771		$3.43
Effect of Dilutive Securities (1)	—	149,566		—	86,335		—	92,430	
Diluted:									
Income from continuing operations available to common unitholders (1)	$121,726	58,921,232	$2.07	$128,576	39,466,720	$3.26	$115,834	37,343,967	$3.10
Income from discontinued operations	—	58,921,232	—	31,173	39,466,720	0.79	11,937	37,343,967	0.32

Income available to common unitholders	$121,726	$2.07	$159,749	$4.05	$127,771	$3.42

(1) The Operating Partnership has the ability to redeem DownREIT limited partnership units for cash and does not consider them to be potentially dilutive securities.

Stock options of 10,843; 168,325; and 263,613; for the years ended December 31, 2014, 2013, and 2012, respectively, were not included in the diluted earnings per unit calculation because the assumed proceeds per share of these options plus the average unearned compensation were greater than the average market price of the common shares for the years ended and, therefore, were anti-dilutive.

The cumulative convertible Series G preferred interest have been excluded from diluted earnings per unit for the years ended 2014, 2013, and 2012 respectively, as the effect was anti-dilutive.

(13) Equity Based Compensation Plans

Stock Options and Restricted Stock

In May 2013, stockholders approved the Company’s 2013 Stock Award and Incentive Compensation Plan (“2013 Plan”). The 2013 Plan became effective on June 1, 2013 and serves as the successor to the Company’s 2004 Stock Incentive Plan (the “2004 Plan”), and no additional equity awards can be granted under the 2004 Plan after the date the 2013 Plan became effective.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

The Company's 2013 Plan provides incentives to attract and retain officers, directors and key employees. The 2013 Plan provides for the grants of options to purchase shares of common stock, grants of restricted stock and other award types. Under the 2013 Plan, the maximum aggregate number of shares that may be issued is 1,000,000, plus any shares that have not been issued under the 2004 Plan, including shares subject to outstanding awards under the 2004 Plan that are not issued or delivered to a participant for any reason. The 2013 Plan is administered by the Compensation Committee of the Board of Directors and is comprised of independent directors. The Compensation Committee is authorized to establish the exercise price; however, the exercise price cannot be less than 100% of the fair market value of the common stock on the grant date. The Company's options have a life of five to ten years. Option grants for officers and employees fully vest between one year and five years after the grant date.

Stock-based compensation expense for options and restricted stock under the fair value method totaled $6.1 million, $2.3 million, and $2.0 million for years ended December 31, 2014, 2013 and 2012 respectively. Stock-based compensation expense for options and restricted stock for the year ended December 31, 2014 includes $3.6 million related to the BRE merger, of which $1.7 million relates to merger and integration expenses, which is recorded in merger and integration expense in the consolidated statements of income. Stock-based compensation for options and restricted stock related to recipients who are direct and incremental to projects under development were capitalized and totaled $0.4 million, $0.4 million, and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. The intrinsic value of the options exercised totaled $12.7 million, $3.0 million, and $2.9 million, for the years ended December 31, 2014, 2013, and 2012 respectively. The intrinsic value of the options outstanding and fully vested totaled $28.9 million, as of December 31, 2014.

Total unrecognized compensation cost related to unvested stock options totaled $3.6 million as of December 31, 2014 and the unrecognized compensation cost is expected to be recognized over a period of 1 to 5 years.

The average fair value of stock options granted for the years ended December 31, 2014, 2013 and 2012 was $20.56, $15.80 and $12.64, respectively. Certain stock options granted in 2014, 2013, and 2012 included a $75 cap or a $100 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:

	2014		2013		2012	
Stock price	$176.65		$153.54		$143.95	
Risk-free interest rates	2.37	%	2.68	%	1.16	%
Expected lives	8 years		8 years		5 - 8 years	
Volatility	18.00	%	18.03	%	20.05	%
Dividend yield	2.90	%	3.15	%	3.26	%

A summary of the status of the Company's stock option plans as of December 31, 2014, 2013, and 2012 and changes during the years ended on those dates is presented below:

	2014		2013		2012	
	Shares	Weighted-average exercise	Shares	Weighted-average exercise	Shares	Weighted-average exercise

		price		price		price
Outstanding at beginning of year	695,488	$133.37	623,434	$125.96	415,020	$109.71
Granted	42,518	176.65	150,325	153.54	263,113	143.95
Granted - BRE options converted	133,766	121.03	—	—	—	—
Exercised	(185,387)	113.72	(52,970)	102.43	(41,603)	77.21
Forfeited and canceled	(21,600)	144.29	(25,301)	135.25	(13,096)	128.36
Outstanding at end of year	664,785	138.78	695,488	133.37	623,434	125.96
Options exercisable at year end	395,986	133.99	300,632	119.09	250,620	107.12

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

The following table summarizes information about stock options outstanding as of December 31, 2014:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding as of December 31, 2014	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable as of December 31, 2014	Weighted-average exercise price
$66.05 - $101.01	39,590	2.8	$79.64	39,590	$79.64
$103.82 - $161.98	561,626	6.1	139.05	303,670	134.22
$164.76 - $179.48	63,569	8.2	173.22	52,726	173.49
	664,785	6.1	138.78	395,986	133.99

The following table summarizes information about restricted stock outstanding as of December 31, 2014, 2013 and 2012 and changes during the years ended:

	2014		2013		2012	
	Shares	Weighted-average grant price	Shares	Weighted-average grant price	Shares	Weighted-average grant price
Unvested at beginning of year	16,176	$108.06	24,922	$104.52	35,219	$98.57
Granted	22,014	194.03	1,556	158.75	1,614	149.68
Granted - BRE restricted stock converted	119,411	173.82	—	—	—	—
Vested	(126,931)	171.56	(7,211)	109.86	(8,641)	106.69
Forfeited and canceled	(4,850)	135.10	(3,091)	100.84	(3,270)	102.00
Unvested at end of year	25,820	168.22	16,176	108.06	24,922	104.52

The unrecognized compensation cost related to unvested restricted stock totaled $3.5 million as of December 31, 2014 and is expected to be recognized over a period of 1 to 7 years.

Long Term Incentive Plans – LTIP Units

On December 9, 2014, the Operating Partnership issued 44,750 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 units were granted subject only to performance-based criteria and are 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 ends December 9, 2015. The 2015 LTIP Units, once earned and vested, are convertible one-for-one into common units of the Operating Partnership which, in turn, are convertible into common stock of the Company subject to a ten year liquidity restriction. 2015 LTIP Units not earned based on the performance-based criteria shall be automatically forfeited by the recipient.

In December 2013, the Operating Partnership issued 50,500 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 common units of the Operating Partnership 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 are determined on the grant date using Monte Carlo simulations under a risk-neutral premise and considers Essex's current stock price, 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 Board's Compensation Committee 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 a Z Unit is determined on the grant date and considers the Company's current stock price, 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 approximately the same as dividends distributed to common stockholders.

LTIP Units are administered by the Compensation Committee which has the authority to select participants and determine the awards to be made up to a maximum of 600,000 LTIP Units.

Stock-based compensation expense for LTIP Units under the fair value method totaled approximately $6.0 million, $2.2 million and $2.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. Stock-based compensation expense for the year ended December 31, 2014 includes $1.7 million related to merger and integration expenses and is recorded in merger and integration expense in the consolidated statements of income. In the fourth quarter of 2014, stock-based compensation expense included $2.4 million related to an immediate vesting of certain of the 2015 LTIP Units. Stock-based compensation 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 $0.4 million, $0.5 million, and $0.5 million, for the years ended December 31, 2014, 2013, and 2012, respectively. The intrinsic value of the vested and unvested LTIP Units totaled $68.8 million as of December 31, 2014. Total unrecognized compensation cost related to the unvested LTIP Units under the LTIP Units plans totaled $11.7 million as of December 31, 2014. On a weighted average basis, the unamortized cost for the 2014 and 2015 LTIP Units and the Z Units is expected to be recognized over the next 4.2 years and 10.5 years, respectively, subject to the achievement of the stated performance criteria.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

The following table summarizes information about the LTIP Units outstanding as of December 31, 2014 ($ in thousands):

	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, 2011	179,082	170,019	349,101	$58.17	12.3
Granted	—	—	—		
Vested	28,163	(28,163)	—		
Converted	(16,541)	—	(16,541)		
Cancelled	—	(1,813)	(1,813)		
Balance, December 31, 2012	190,704	140,043	330,747	58.44	11.3
Granted	—	50,500	50,500		
Vested	35,919	(35,919)	—		
Converted	(108,433)	—	(108,433)		
Cancelled	—	(5,243)	(5,243)		
Balance, December 31, 2013	118,190	149,381	267,571	63.53	9.3
Granted	24,000	44,750	68,750		
Vested	41,729	(41,729)	—		
Converted	(2,000)	—	(2,000)		
Cancelled	—	(1,335)	(1,335)		
Balance, December 31, 2014	181,919	151,067	332,986	$71.14	10.5

(14) Segment Information

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 net operating income are communities classified in discontinued operations, management and other fees from affiliates, and interest and other income. Non-segment revenues and net operating income included in the following schedule also consist of revenue generated from commercial properties. Other non-segment assets include real estate under development, co-investments, cash and cash equivalents, marketable securities, notes and other receivables, prepaid expenses and other assets and deferred charges.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

The revenues and net operating income for each of the reportable operating segments are summarized as follows for the years ended December 31, 2014, 2013, and 2012 ($ in thousands):

	Years Ended December 31,		
	2014	2013	2012
Revenues:			
Southern California	$422,899	$263,064	$248,150
Northern California	338,006	212,167	173,264
Seattle Metro	168,053	107,553	92,489
Other real estate assets	31,000	19,219	12,793
Total property revenues	$959,958	$602,003	$526,696
Net operating income:			
Southern California	$279,178	$175,557	$164,841
Northern California	236,927	146,699	119,154
Seattle Metro	112,384	71,407	60,853
Other real estate assets	20,556	12,328	9,681
Total net operating income	649,045	405,991	354,529
Depreciation and amortization	(360,592)	(192,420)	(169,173)
Interest expense	(164,551)	(116,524)	(111,888)
Management and other fees from affiliates	9,347	7,263	8,457
General and administrative	(40,878)	(26,684)	(24,573)
Merger and integration expenses	(53,530)	(4,284)	—
Acquisition and disposition costs	(1,878)	(1,161)	(2,215)
Interest and other income	11,811	11,633	13,833
Loss on early retirement of debt, net	(268)	(300)	(5,009)
Gain on sale of real estate and land	46,039	1,503	—
Equity income from co-investments	39,893	55,865	41,745
Gain on remeasurement of co-investment	—	—	21,947
Income before discontinued operations	$134,438	$140,882	$127,653

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

Total assets for each of the reportable operating segments are summarized as follows as of December 31, 2014 and 2013 ($ in thousands):

	As of December 31,	
Assets:	2014	2013
Southern California	$4,249,107	$1,732,791
Northern California	3,641,720	1,605,303
Seattle Metro	1,647,058	741,533
Other real estate assets	149,820	109,244
Net reportable operating segments - real estate assets	9,687,705	4,188,871
Real estate under development	434,371	50,430
Co-investments	1,036,411	677,133
Real estate held for sale, net	56,300	—
Cash and cash equivalents, including restricted cash	95,420	53,766
Marketable securities and other investments	117,240	90,084
Notes and other receivables	24,923	68,255
Other non-segment assets	110,504	58,300
Total assets	$11,562,874	$5,186,839

(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 $0.9 million, $0.7 million, and $0.6 million for the years ended December 31, 2014, 2013, and 2012, respectively.

(16) Commitments and Contingencies

As of December 31, 2014, the Company had six non-cancelable ground leases for certain apartment communities and buildings that expire between 2027 and 2082. Ground lease payments are typically the greater of a stated minimum or a percentage of gross rents generated by these apartment communities. Total minimum lease commitments, under ground leases and operating leases, are approximately $2.5 million per year for the next five years.

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, and, if an outcome is probable, accrue an appropriate liability for remediation and other potential liability. The Company will consider whether such occurrence results in an impairment of value on the affected property and, if so, impairment will be recognized.

The Company has no way of determining at this time the magnitude of any potential liability to which it may be subject arising out of unknown environmental conditions or violations with respect to the communities formerly owned by the Company. No assurance can be given that existing environmental studies with respect to any of the communities reveal all environmental liabilities, that any prior owner or operator of a property did not create any material environmental condition not known to the Company, or that a material 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 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 to have a material impact on the Company's financial position.

There have been an increasing number of lawsuits against owners and managers of apartment communities alleging personal injury and property damage caused by the presence of mold in residential real estate. 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 matters. Insurance carriers have reacted to mold related liability awards by excluding mold related claims from standard policies and pricing mold endorsements at prohibitively high rates. The Company has, however, purchased pollution liability insurance, which includes some coverage for mold. The Company has adopted policies to promptly address and resolve reports of mold when it is detected, and to minimize any impact mold might have on residents of the property. The Company believes its mold policies and proactive response to address any known existence, reduces its risk of loss from these cases. There can be no assurances that the Company has identified and responded to all mold occurrences, but the company promptly addresses all known reports of mold. 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, 2014, 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 does not have 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 as it relates to 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, 2014, PWI has cash and marketable securities of approximately $57.6 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 which it holds an ownership interest in.

The Company provided a payment guarantee to the counterparties in relation to the total return swaps entered into by the joint venture responsible for the development of The Huxley and The Dylan communities. Further the Company has guaranteed completion of development and made certain debt service guarantees for The Huxley and The Dylan. The outstanding balance for the loans was $114.4 million as of December 31, 2014. The payment guarantee is for the payment of the amounts due to the counterparty related total return swaps which are scheduled to mature in September and December 2016. The maximum exposure of the guarantee as of December 31, 2014 was $114.4 million based on the aggregate outstanding debt amount.

Three putative class action and shareholder derivative actions were filed on behalf of alleged BRE stockholders and/or BRE itself in the Circuit Court for Baltimore City, Maryland, under the following captions: Sutton v. BRE Properties, Inc., et al., No. 24-C-13-8425, filed December 23, 2013; Applegate v. BRE Properties, Inc., et al., No. 24-C-14-2, filed December 30, 2013; and Lee v. BRE Properties, Inc., et al., No. 24-C-14-46, filed January 3, 2014. On March 18, 2014, the parties reached an agreement in principle that provided for the settlement of action on the terms and conditions set forth in a memorandum of understanding. On October 28, 2014, the Court entered an Order and Final Judgment Settlement granting final approval of the Settlement. The Order and Final Judgment Settlement included a judgment of the dismissal of all claims against BRE, Essex and the other defendants with prejudice as well as a full release of any and all claims related to the Merger. The $500,000 to be paid by BRE or its successor(s) has been paid in full by Essex.

On December 19, 2014, a punitive class action was filed against the Company in the U.S. District Court for the Northern District of California, entitled Foster v. Essex Property Trust, Inc. alleging that the Company failed to properly secure the personally-identifying information of its residents. The lawsuit seeks the recovery of unspecified damages and certain injunctive relief. This lawsuit was filed in connection with a cyber-intrusion that the Company discovered in the third quarter of 2014. At this point, the Company is unable to predict the developments in, outcome of, and/or economic and/or other consequences of this litigation or predict the developments in, outcome of, and/or other consequences arising out of any potential future litigation or government inquiries related to this matter.

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 2015, the Company sold Pinnacle South Mountain, a 552 unit apartment community, located in Phoenix, AZ for $63.8 million.

During the first quarter of 2015 through February 24, 2015, ESS sold 636,021 shares of common stock for $142.0 million, net of fees and commissions at an average price of $224.76.

In February 2015, the Company purchased a parcel of land located in San Francisco, CA for a contract price of $43.6 million. The Company plans to develop a forty-two story apartment community comprising 545 homes and 5,900 square feet of ground floor retail space.

In February 2015, the Company acquired 8th and Hope, a 290 unit community in Los Angeles, CA for $200 million. The property was completed in 2014 and has roughly 4,000 square feet of ground floor retail space.

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

(18) Quarterly Results of Operations (Unaudited)

Essex Property Trust, Inc.

The following is a summary of quarterly results of operations for 2014 and 2013 ($ in thousands, except per share and dividend amounts):

	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
2014 (1):				
Total property revenues	$276,209	$268,118	$256,614	$159,017
Income before discontinued operations	$44,805	$58,582	$4,645	$26,406
Net income	$44,805	$58,582	$4,645	$26,406
Net income available to common stockholders	$40,175	$53,565	$1,207	$21,912
Per share data:				
Net income:				
Basic (2)	$0.63	$0.85	$0.02	$0.58
Diluted (2)	$0.63	$0.85	$0.02	$0.58
Market price:				
High	$211.91	$180.65	$185.66	$171.70
Low	$206.35	$178.27	$183.36	$166.95
Close	$206.60	$178.75	$184.91	$170.05
Dividends declared	$1.30	$1.30	$1.30	$1.21
2013:				
Total property revenues	$155,986	$152,177	$148,783	$145,057
Income before discontinued operations	$20,020	$62,718	$28,983	$29,161
Net income	$36,903	$75,875	$29,575	$29,702
Net income available to common stockholders	$31,874	$68,788	$24,946	$25,203
Per share data:				
Net income:				
Basic (2)	$0.85	$1.84	$0.67	$0.68
Diluted (2)	$0.85	$1.84	$0.67	$0.68
Market price:				
High	$165.44	$172.16	$171.11	$156.36
Low	$137.53	$139.64	$147.56	$147.06
Close	$143.51	$147.70	$158.92	$150.58
Dividends declared	$1.21	$1.21	$1.21	$1.21

(1) Includes BRE results of operations after the merger date, April 1, 2014.
(2) 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.
.

F- 54

Table of Contents
ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

Essex Portfolio, L.P.

The following is a summary of quarterly results of operations for 2014 and 2013 ($ in thousands, except per unit and distribution amounts):

	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
2014 (1):				
Total property revenues	$276,209	$268,118	$256,614	$159,017
Income before discontinued operations	$44,805	$58,582	$4,645	$26,406
Net income	$44,805	$58,582	$4,645	$26,406
Net income available to common unitholders	$41,599	$55,382	$1,416	$23,329
Per unit data:				
Net income:				
Basic (2)	$0.63	$0.85	$0.02	$0.58
Diluted (2)	$0.63	$0.85	$0.02	$0.58
Distributions declared	$1.30	$1.30	$1.30	$1.21
2013:				
Total property revenues	$155,986	$152,177	$148,783	$145,057
Income before discontinued operations	$20,020	$62,718	$28,983	$29,161
Net income	$36,903	$75,875	$29,575	$29,702
Net income available to common unitholders	$33,776	$72,777	$26,493	$26,703
Per unit data:				
Net income:				
Basic (2)	$0.87	$1.84	$0.67	$0.68
Diluted (2)	$0.86	$1.84	$0.67	$0.68
Distributions declared	$1.21	$1.21	$1.21	$1.21

(1) Includes BRE results of operations after the merger date, April 1, 2014.
(2) 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
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

				Initial cost		Costs capitalized	Gross amount carried at close of period						
Property	Units	Location	Encumbrance	Land	Buildings and improvements	subsequent to acquisition	Land and improvements	Buildings and improvements	Total (1)	Accumulated depreciation	Date of construction	Date acquired	Lives (years)
Encumbered communities													
The Elliot at Mukilteo	301	Mukilteo, WA	10,750	2,498	10,595	14,371	2,824	24,640	27,464	(12,928)	1981	Jan-97	3-30
Avondale at Warner Center	446	Woodland Hills, CA	45,349	10,536	24,522	15,722	10,601	40,179	50,780	(23,899)	1970	Jan-97	3-30
Bridgeport	184	Newark, CA	21,003	1,608	7,582	7,465	1,525	15,130	16,655	(11,592)	1987	Jul-87	3-30
Barkley, The (2)	161	Anaheim, CA	16,269	—	8,520	5,195	2,353	11,362	13,715	(5,536)	1984	Apr-00	3-30
Bel Air	462	San Ramon, CA	53,835	12,105	18,252	28,826	12,682	46,501	59,183	(23,898)	1988	Jan-97	3-30
Belmont Station	275	Los Angeles, CA	30,045	8,100	66,666	3,968	8,267	70,467	78,734	(18,446)	2008	Dec-08	3-30
Bella Villagio	231	San Jose, CA	35,870	17,247	40,343	1,983	17,247	42,326	59,573	(6,432)	2004	Sep-10	3-30
Brookside Oaks	170	Sunnyvale, CA	19,312	7,301	16,310	22,116	10,328	35,399	45,727	(14,425)	1973	Jun-00	3-30
Camino Ruiz Square	160	Camarillo, CA	21,110	6,871	26,119	1,317	6,931	27,376	34,307	(7,498)	1990	Dec-06	3-30
Canyon Oaks	250	San Ramon, CA	28,101	19,088	44,473	2,244	19,088	46,717	65,805	(12,259)	2005	May-07	3-30
Carlyle, The	132	San Jose, CA	22,419	3,954	15,277	10,147	5,801	23,577	29,378	(11,057)	2000	Apr-00	3-30
City View	572	Hayward, CA	74,903	9,883	37,670	21,926	10,350	59,129	69,479	(35,386)	1975	Mar-98	3-30
Courtyard off Main	109	Bellevue, WA	15,757	7,465	21,405	2,766	7,465	24,171	31,636	(3,701)	2000	Oct-10	3-30
Domaine	92	Seattle, WA	15,793	9,059	27,177	473	9,059	27,650	36,709	(2,151)	2009	Sep-12	3-30
Elevation	157	Redmond, WA	11,308	4,758	14,285	5,667	4,757	19,953	24,710	(4,178)	1986	Jun-10	3-30
Esplanade	278	San Jose, CA	42,950	18,170	40,086	8,307	18,429	48,134	66,563	(17,173)	2002	Apr-11	3-30
Fairhaven	164		20,721	2,626	10,485	5,761	2,957	15,915	18,872	(6,850)	1970	Nov-01	3-30

		Santa Ana, CA											
Fairwood Pond	194	Renton, WA	12,725	5,296	15,564	2,232	5,297	17,795	23,092	(6,688)	1997	Oct-04	3-30
Fountain Park	705	Playa Vista, CA	83,179	25,073	94,980	25,540	25,203	120,390	145,593	(48,601)	2002	Feb-04	3-30
Harvest Park	104	Santa Rosa, CA	10,241	6,700	15,479	1,099	6,690	16,588	23,278	(4,693)	2004	Mar-07	3-30
Hampton Place /Hampton Court	215	Glendale, CA	20,616	6,695	16,753	8,310	6,733	25,025	31,758	(11,951)	1970	Jun-99	3-30
Hidden Valley	324	Simi Valley, CA	30,053	14,174	34,065	2,063	9,674	40,628	50,302	(14,322)	2004	Dec-04	3-30
Highridge	255	Rancho Palos Verdes, CA	44,807	5,419	18,347	28,623	6,073	46,316	52,389	(23,162)	1972	May-97	3-30
Highlands at Wynhaven	333	Issaquah, WA	32,212	16,271	48,932	6,609	16,271	55,541	71,812	(12,981)	2000	Aug-08	3-30
Hillcrest Park	608	Newbury Park, CA	67,064	15,318	40,601	16,690	15,755	56,854	72,609	(29,850)	1973	Mar-98	3-30
Huntington Breakers	342	Huntington Beach, CA	37,446	9,306	22,720	13,803	9,315	36,514	45,829	(16,859)	1984	Oct-97	3-30
Inglenook Court	224	Bothell, WA	8,300	3,467	7,881	6,418	3,474	14,292	17,766	(9,683)	1985	Oct-94	3-30
Magnolia Square/Magnolia Lane (3)	188	Sunnyvale, CA	17,701	8,190	24,736	14,056	8,191	38,791	46,982	(10,633)	1969	Sep-07	3-30
Mirabella	188	Marina Del Rey, CA	44,556	6,180	26,673	13,877	6,270	40,460	46,730	(17,813)	2000	May-00	3-30
Mill Creek at Windermere	400	San Ramon, CA	48,348	29,551	69,032	2,974	29,551	72,006	101,557	(17,916)	2005	Sep-07	3-30

F- 56

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

				Initial cost		Costs capitalized	Gross amount carried at close of period					
Property	Units	Location	Encumbrance	Land	Buildings and improvements	subsequent to acquisition	Land and improvements	Buildings and improvements	Total (1)	Accumulated depreciation	Date of construction	Date acqui
Montclaire, The	390	Sunnyvale, CA	45,833	4,842	19,776	20,330	4,997	39,951	44,948	(31,729)	1973	Dec-8
Montebello	248	Kirkland, WA	28,423	13,857	41,575	3,500	13,858	45,074	58,932	(4,057)	1996	Jul-1
Montejo	124	Garden Grove, CA	15,728	1,925	7,685	2,509	2,194	9,925	12,119	(4,566)	1974	Nov-
Park Hill at Issaquah	245	Issaquah, WA	28,426	7,284	21,937	3,733	7,284	25,670	32,954	(9,049)	1999	Feb-9
Palisades, The	192	Bellevue, WA	20,573	1,560	6,242	11,006	1,565	17,243	18,808	(12,559)	1977	May-
Pathways	296	Long Beach, CA	37,046	4,083	16,757	18,993	6,239	33,594	39,833	(24,284)	1975	Feb-9
Stevenson Place	200	Fremont, CA	21,394	996	5,582	7,314	1,001	12,891	13,892	(9,713)	1971	Apr-8
Stonehedge Village	196	Bothell, WA	12,109	3,167	12,603	5,064	3,201	17,633	20,834	(10,210)	1986	Oct-9
Summerhill Park	100	Sunnyvale, CA	13,326	2,654	4,918	2,326	2,656	7,242	9,898	(5,133)	1988	Sep-8
The Bernard	63	Seattle, WA	9,479	3,699	11,345	171	3,689	11,526	15,215	(1,291)	2008	Sep-1
The Huntington	276	Huntington Beach, CA	32,096	10,374	41,495	2,594	10,374	44,089	54,463	(3,980)	1975	Jun-1
Tierra Vista	404	Oxnard, CA	55,212	13,652	53,336	3,863	13,661	57,190	70,851	(20,787)	2001	Jan-0
Valley Park	160	Fountain Valley, CA	26,479	3,361	13,420	3,516	3,761	16,536	20,297	(7,460)	1969	Nov-
Villa Angelina	256	Placentia, CA	32,674	4,498	17,962	5,988	4,962	23,486	28,448	(9,902)	1970	Nov-
Wandering Creek	156	Kent, WA	5,300	1,285	4,980	3,695	1,296	8,664	9,960	(5,853)	1986	Nov-
Waterford, The	238	San Jose, CA	31,275	11,808	24,500	12,916	15,165	34,059	49,224	(16,320)	2000	Jun-0
Wilshire Promenade	149	Fullerton, CA	17,657	3,118	7,385	7,493	3,797	14,199	17,996	(7,518)	1992	Jan-9
Ellington at Bellevue	220	Bellevue, WA	23,279	15,066	45,249	98	15,066	45,347	60,413	(556)	1994	Jul-1
Piedmont	396		48,180	19,848	59,606	1,557	19,848	61,163	81,011	(1,288)	1969	May-

		Bellevue, WA										
The Avery	121	Los Angeles, CA	10,000	6,964	29,922	—	6,964	29,922	36,886	(787)	2014	Mar-
BRE acquired properties	2,899	Southern California	424,041	163,608	659,448	3,344	163,608	662,792	826,400	(18,178)	1987 - 2008	Apr-
BRE acquired properties	1,074	Northern California	219,244	170,747	363,720	1,383	170,747	365,103	535,850	(10,149)	1970 - 2010	Apr-
BRE acquired properties	1,111	Seattle Metro	145,427	64,301	265,474	1,703	64,301	267,177	331,478	(7,304)	1992 - 2009	Apr-
			2,245,944	825,606	2,600,447	423,644	839,395	3,010,302	3,849,697	(665,234)		
Unencumbered Communities												
Apex	366	Milpitas, CA		44,240	103,251	89	44,240	103,340	147,580	(1,249)	2014	Aug-
Collins on Pine	76	Seattle, WA		7,276	22,226	7	7,276	22,233	29,509	(464)	2013	May-
Paragon	301	Fremont, CA		32,230	77,320	40	32,230	77,360	109,590	(1,183)	2013	Jul-1
Allegro	97	Valley Village, CA		5,869	23,977	1,385	5,869	25,362	31,231	(5,293)	2010	Oct-1
Alpine Village	301	Alpine, CA		4,967	19,728	5,362	4,982	25,075	30,057	(10,302)	1971	Dec-(
Anavia	250	Anaheim, CA		15,925	63,712	5,968	15,925	69,680	85,605	(9,491)	2009	Dec-

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

				Initial cost		Costs capitalized	Gross amount carried at close of period						
Property	Units	Location	Encumbrance	Land	Buildings and improvements	subsequent to acquisition	Land and improvements	Buildings and improvements	Total (1)	Accumulated depreciation	Date of construction	Date acquired	Lives (years)
Annaliese	56	Seattle, WA		4,727	14,229	153	4,726	14,383	19,109	(949)	2009	Jan-13	3-30
Ascent	90	Kirkland, WA		3,924	11,862	1,538	3,924	13,400	17,324	(1,143)	1988	Oct-12	3-30
Axis 2300	115	Irvine, CA		5,405	33,585	965	5,405	34,550	39,955	(7,071)	2010	Aug-10	3-30
Bellerive	63	Los Angeles, CA		5,401	21,803	629	5,401	22,432	27,833	(3,412)	2011	Aug-11	3-30
Belmont Terrace	71	Belmont, CA		4,446	10,290	3,100	4,473	13,363	17,836	(4,706)	1974	Oct-06	3-30
Bennett Lofts	165	San Francisco, CA		21,771	50,800	24,463	28,371	68,663	97,034	(4,919)	2004	Dec-12	3-30
Bonita Cedars	120	Bonita, CA		2,496	9,913	1,985	2,503	11,891	14,394	(5,084)	1983	Dec-02	3-30
Boulevard	172	Fremont, CA		3,520	8,182	10,690	3,580	18,812	22,392	(12,518)	1978	Jan-96	3-30
Bridle Trails	108	Kirkland, WA		1,500	5,930	5,474	1,531	11,373	12,904	(6,483)	1986	Oct-97	3-30
Brighton Ridge	264	Renton, WA		2,623	10,800	4,070	2,656	14,837	17,493	(8,809)	1986	Dec-96	3-30
Bristol Commons	188	Sunnyvale, CA		5,278	11,853	4,993	5,293	16,831	22,124	(8,832)	1989	Jan-97	3-30
416 on Broadway	115	Glendale, CA		8,557	34,235	1,543	8,557	35,778	44,335	(5,115)	2009	Dec-10	3-30
Bunker Hill	456	Los Angeles, CA		11,498	27,871	21,173	11,639	48,903	60,542	(19,993)	1968	Mar-98	3-30
Cairns, The	100	Seattle, WA		6,937	20,679	967	6,939	21,644	28,583	(5,498)	2006	Jun-07	3-30
Camarillo Oaks	564	Camarillo, CA		10,953	25,254	3,984	11,075	29,116	40,191	(17,860)	1985	Jul-96	3-30
Canyon Pointe	250	Bothell, WA		4,692	18,288	5,099	4,693	23,386	28,079	(9,143)	1990	Oct-03	3-30
Capri at Sunny Hills	100	Fullerton, CA		3,337	13,320	8,060	4,048	20,669	24,717	(9,439)	1961	Sep-01	3-30

Castle Creek	216	Newcastle, WA	4,149	16,028	2,412	4,833	17,756	22,589	(10,781)	1997	Dec-97	3-30
CBC Apartments & The Sweeps	239	Goleta, CA	11,841	45,320	4,882	11,906	50,137	62,043	(17,174)	1962	Jan-06	3-30
CentrePointe	224	San Diego, CA	3,405	7,743	18,330	3,442	26,036	29,478	(9,454)	1974	Jun-97	3-30
Cedar Terrace	180	Bellevue, WA	5,543	16,442	4,297	5,652	20,630	26,282	(7,810)	1984	Jan-05	3-30
Chestnut Street	96	Santa Cruz, CA	6,582	15,689	1,083	6,582	16,772	23,354	(3,894)	2002	Jul-08	3-30
Commons, The	264	Campbell, CA	12,555	29,307	4,484	12,556	33,790	46,346	(5,920)	1973	Jul-10	3-30
Corbella at Juanita Bay	169	Kirkland, WA	5,801	17,415	2,008	5,801	19,423	25,224	(2,819)	1978	Nov-10	3-30
Country Villas	180	Oceanside, CA	4,174	16,583	2,954	4,187	19,524	23,711	(8,457)	1976	Dec-02	3-30
Delano/Bon Terra	126	Redmond, WA	7,470	22,511	911	7,470	23,422	30,892	(2,419)	2005	Dec-11	3-30
Devonshire	276	Hemet, CA	3,470	13,786	2,748	3,482	16,522	20,004	(7,166)	1988	Dec-02	3-30
Domain	379	San Diego, CA	23,848	95,394	390	23,848	95,784	119,632	(3,616)	2013	Nov-13	3-30
Emerald Ridge	180	Bellevue, WA	3,449	7,801	3,220	3,449	11,021	14,470	(7,768)	1987	Nov-94	3-30
Essex Skyline at MacArthur Place	349	Santa Ana, CA	21,537	146,099	1,846	21,537	147,945	169,482	(13,566)	2008	Apr-12	3-30
Evergreen Heights	200	Kirkland, WA	3,566	13,395	4,426	3,649	17,738	21,387	(10,019)	1990	Jun-97	3-30

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

				Initial cost		Costs capitalized subsequent to acquisition	Gross amount carried at close of period						
Property	Units	Location	Encumbrance	Land	Buildings and improvements		Land	Buildings and improvements	Total (1)	Accumulated depreciation	Date of construction	Date acquired	Lives (years)
Fairways (4)	74	Newport Beach, CA		—	7,850	6,107	9	13,948	13,957	(6,203)	1972	Jun-99	3-30
Foothill Commons	388	Bellevue, WA		2,435	9,821	35,126	2,440	44,942	47,382	(26,268)	1978	Mar-90	3-30
Foothill Gardens/Twin Creeks	176	San Ramon, CA		5,875	13,992	6,870	5,964	20,773	26,737	(11,064)	1985	Feb-97	3-30
Forest View	192	Renton, WA		3,731	14,530	1,530	3,731	16,060	19,791	(6,358)	1998	Oct-03	3-30
Fountain Court	320	Seattle, WA		6,702	27,306	9,252	6,585	36,675	43,260	(16,960)	2000	Mar-00	3-30
Fourth & U	171	Berkeley, CA		8,879	52,351	2,336	8,879	54,687	63,566	(9,859)	2010	Apr-10	3-30
Fox Plaza	443	San Francisco, CA		39,731	92,706	5,046	39,731	97,752	137,483	(6,255)	1968	Feb-13	3-30
Hillsborough Park	235	La Habra, CA		6,291	15,455	1,785	6,272	17,259	23,531	(8,882)	1999	Sep-99	3-30
Hillsdale Garden	697	San Mateo, CA		22,000	94,681	19,608	22,000	114,289	136,289	(33,598)	1948	Sep-06	3-30
Hope Ranch Collection	108	Santa Barbara, CA		4,078	16,877	2,461	4,208	19,208	23,416	(4,854)	1965	Mar-07	3-30
Joule	295	Seattle, WA		14,558	69,417	3,366	14,558	72,783	87,341	(13,492)	2010	Mar-10	3-30
1000 Kiely	121	Santa Clara, CA		9,359	21,845	5,773	9,359	27,618	36,977	(4,107)	1971	Mar-11	3-30
Kings Road	196	Los Angeles, CA		4,023	9,527	9,926	4,031	19,445	23,476	(9,944)	1979	Jun-97	3-30
Laurels at Mill Creek	164	Mill Creek, WA		1,559	6,430	5,237	1,595	11,631	13,226	(7,021)	1981	Dec-96	3-30
Le Parc Luxury Apartments	140	Santa Clara, CA		3,090	7,421	10,906	3,092	18,325	21,417	(11,312)	1975	Feb-94	3-30
Lofts at Pinehurst, The	118	Ventura, CA		1,570	3,912	4,463	1,618	8,327	9,945	(4,195)	1971	Jun-97	3-30

Marbrisa	202	Long Beach, CA	4,700	18,605	5,099	4,760	23,644	28,404	(9,508)	1987	Sep-02	3-30
Marina City Club (5)	101	Marina Del Rey, CA	—	28,167	22,885	—	51,052	51,052	(14,347)	1971	Jan-04	3-30
Marina Cove (6)	292	Santa Clara, CA	5,320	16,431	11,125	5,324	27,552	32,876	(16,710)	1974	Jun-94	3-30
Mariners Place	105	Oxnard, CA	1,555	6,103	2,079	1,562	8,175	9,737	(4,213)	1987	May-00	3-30
Meadowood	320	Simi Valley, CA	7,852	18,592	6,654	7,898	25,200	33,098	(14,710)	1986	Nov-96	3-30
Mesa Village	133	Clairemont, CA	1,888	7,498	1,177	1,894	8,669	10,563	(3,613)	1963	Dec-02	3-30
Mira Monte	355	Mira Mesa, CA	7,165	28,459	8,766	7,186	37,204	44,390	(17,380)	1982	Dec-02	3-30
Miracle Mile/Marbella	236	Los Angeles, CA	7,791	23,075	13,028	7,886	36,008	43,894	(19,131)	1988	Aug-97	3-30
Mission Hills	282	Oceanside, CA	10,099	38,778	4,446	10,167	43,156	53,323	(15,073)	1984	Jul-05	3-30
Monterra del Mar/Rey/Sol	292	Pasadena, CA	2,202	4,794	37,612	8,385	36,223	44,608	(14,718)	1972	Apr-99	3-30
Monterey Villas	122	Oxnard, CA	2,349	5,579	5,669	2,424	11,173	13,597	(5,739)	1974	Jul-97	3-30
Muse	152	North Hollywood, CA	7,822	33,436	1,748	7,823	35,183	43,006	(6,717)	2011	Feb-11	3-30
Park Catalina	90	Los Angeles, CA	4,710	18,839	1,781	4,710	20,620	25,330	(1,823)	2002	Jun-12	3-30
Park West	126	San Francisco, CA	9,424	21,988	4,701	9,424	26,689	36,113	(2,120)	1958	Sep-12	3-30
Pinehurst (7)	28	Ventura, CA	355	1,356	481	6	2,186	2,192	(943)	1973	Dec-04	3-30
Pointe at Cupertino, The	116	Cupertino, CA	4,505	17,605	11,290	4,505	28,895	33,400	(10,003)	1963	Aug-98	3-30

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

			Initial cost			Costs capitalized	Gross amount carried at close of period						
Property	Units	Location	Encumbrance	Land	Buildings and improvements	subsequent to acquisition	Land and improvements	Buildings and improvements	Total (1)	Accumulated depreciation	Date of construction	Date acquired	Liv (ye
Reed Square	100	Sunnyvale, CA		6,873	16,037	7,708	6,873	23,745	30,618	(2,853)	1970	Jan-12	
Regency at Encino	75	Encino, CA		3,184	12,737	2,202	3,184	14,939	18,123	(3,151)	1989	Dec-09	
Salmon Run at Perry Creek	132	Bothell, WA		3,717	11,483	1,430	3,801	12,829	16,630	(6,057)	2000	Oct-00	
101 San Fernando	323	San Jose, CA		4,173	58,961	6,876	4,173	65,837	70,010	(10,762)	2001	Jul-10	
Sammamish View	153	Bellevue, WA		3,324	7,501	6,035	3,331	13,529	16,860	(9,553)	1986	Nov-94	
San Marcos	432	Richmond, CA		15,563	36,204	26,908	22,866	55,809	78,675	(21,628)	2003	Nov-03	
Santee Court/Santee Village	238	Los Angeles, CA		9,581	40,317	2,726	9,582	43,042	52,624	(6,655)	2004	Oct-10	
Shadow Point	172	Spring Valley, CA		2,812	11,170	1,950	2,820	13,112	15,932	(5,659)	1983	Dec-02	
Slater 116	108	Kirkland, WA		7,379	22,138	322	7,379	22,460	29,839	(994)	2013	Sep-13	
Summit Park	300	San Diego, CA		5,959	23,670	4,392	5,977	28,044	34,021	(11,974)	1972	Dec-02	
The Grand	243	Oakland, CA		4,531	89,208	4,426	4,531	93,634	98,165	(21,286)	2009	Jan-09	
Trabucco Villas	132	Lake Forest, CA		3,638	8,640	2,451	3,890	10,839	14,729	(6,013)	1985	Oct-97	
Tuscana	30	Tracy, CA		2,828	6,599	165	2,870	6,722	9,592	(1,708)	2007	Feb-07	
Via	284	Sunnyvale, CA		22,000	82,270	540	22,016	82,794	104,810	(11,895)	2011	Jul-11	
Vista Belvedere	76	Tiburon, CA		5,573	11,901	5,861	5,573	17,762	23,335	(6,804)	1963	Aug-04	
Vox	58	Seattle, WA		5,545	16,635	67	5,545	16,702	22,247	(674)	2013	Oct-13	
Walnut Heights	163	Walnut, CA		4,858	19,168	3,645	4,887	22,784	27,671	(8,553)	1964	Oct-03	
Wharfside Pointe	142	Seattle, WA		2,245	7,020	9,697	2,258	16,704	18,962	(8,780)	1990	Jun-94	

Willow Lake	508	San Jose, CA	43,194	101,030	5,312	43,194	106,342	149,536	(8,351	)	1989	Oct-12
Windsor Ridge	216	Sunnyvale, CA	4,017	10,315	14,104	4,021	24,415	28,436	(13,679	)	1989	Mar-89
Woodland Commons	302	Bellevue, WA	2,040	8,727	19,311	2,044	28,034	30,078	(12,937	)	1978	Mar-90
Woodside Village	145	Ventura, CA	5,331	21,036	3,384	5,341	24,410	29,751	(8,669	)	1987	Dec-04
BRE acquired properties	5,438	Southern California	368,894	1,394,794	12,180	368,894	1,406,974	1,775,868	(39,591	)	1964 - 2014	Apr-14
BRE acquired properties	3,265	Northern California	375,703	944,881	8,147	375,703	953,028	1,328,731	(27,762	)	1992 - 2014	Apr-14
BRE acquired properties	1,710	Seattle Metro	80,464	373,710	1,958	80,464	375,668	456,132	(10,461	)	1989 - 2013	Apr-14
	46,739		1,540,006	5,192,199	585,858	1,562,973	5,755,090	7,318,063	(873,388	)		

F- 60

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(Dollars in thousands)

				Initial cost		Costs capitalized	Gross amount carried at close of period				
Property	Square Footage	Location	Encumbrance	Land	Buildings and improvements	subsequent to acquisition	Land and improvements	Buildings and improvements	Total(1)	Accumulated depreciation	Date of construction
Other real estate assets											
Hollywood	34,000	Los Angeles, CA		10,200	13,800	2,402	10,200	16,202	26,402	(5,262)	1938
Santa Clara Retail	138,915	Santa Clara, CA		6,472	11,704	4,586	6,472	16,290	22,762	(3,665)	1970
925/935 East Meadow Drive	39,600	Palo Alto, CA		1,401	3,172	8,758	3,547	9,784	13,331	(3,481)	1988
17461 Derian Ave	107,720	Irvine, CA		3,079	12,315	6,862	3,909	18,347	22,256	(11,322)	1983
			—	21,152	40,991	22,608	24,128	60,623	84,751	(23,730)	
ESS Consolidated real estate under development				17,948	—	416,423	59,598	374,773	434,371	(2,454)	
Total			2,245,944	2,404,712	7,833,637	1,448,533	2,486,094	9,200,788	11,686,882	(1,564,806)	

(1) The aggregate cost for federal income tax purposes is approximately $8.2 billion (unaudited).
(2) The land is leased pursuant to a ground lease expiring 2082.
(3) The land is leased pursuant to a ground lease expiring 2070.
(4) The land is leased pursuant to a ground lease expiring 2027.
(5) The land is leased pursuant to a ground lease expiring 2067.
(6) A portion of land is leased pursuant to a ground lease expiring in 2028.
(7) The land is leased pursuant to a ground lease expiring in 2028.

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

	2014	2013	2012		2014	2013	2012
Rental properties:				Accumulated depreciation:			
Balance at beginning of year	$5,443,757	$5,033,672	$4,313,064	Balance at beginning of year	$1,254,886	$1,081,517	$920,026

Improvements	135,812	92,016	97,947	Depreciation expense - Acquisitions	121,426	6,203	3,744
Acquisition of real estate (1)	5,685,884	344,476	619,743	Depreciation expense - Discontinued operations	—	12,290	2,108
Development of real estate	19,751	14,111	25,545	Depreciation expense - Rental properties	199,495	168,092	161,492
Disposition of real estate	(32,693)	(40,518)	(22,627)	Dispositions	(11,001)	(13,216)	(5,853)
Balance at the end of year	$11,252,511	$5,443,757	$5,033,672	Balance at the end of year	$1,564,806	$1,254,886	$1,081,517

(1) Amount for 2014 includes $5.2 billion related to BRE merger.

Table of Contents

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 Palo Alto, State of California, on March 2, 2015.

ESSEX PROPERTY TRUST, INC.

By: /S/ MICHAEL T. DANCE
Michael T. Dance
Executive Vice President, Chief Financial Officer
(Authorized Officer, Principal Financial Officer)

By: /S/ JOHN FARIAS
John Farias
Group Vice President, Chief Accounting Officer

ESSEX PORTFOLIO, L.P.
By: Essex Property Trust, Inc., its general partner

By: /S/ MICHAEL T. DANCE
Michael T. Dance
Executive Vice President, Chief Financial Officer
(Authorized Officer, Principal Financial Officer)

By: /S/ JOHN FARIAS
John Farias
Group Vice President, Chief Accounting Officer

Table of Contents

KNOWN ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael J. Schall and Michael T. Dance, 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)	March 2, 2015
/S/ KEITH R. GUERICKE Keith R. Guericke	Director, and Vice Chairman of the Board	March 2, 2015
/S/ GEORGE M. MARCUS George M. Marcus	Director and Chairman of the Board	March 2, 2015
/S/ DAVID W. BRADY David W. Brady	Director	March 2, 2015
/S/ IRVING F. LYONS, III Irving F. Lyons, III	Director	March 2, 2015
/S/ GARY P. MARTIN Gary P. Martin	Director	March 2, 2015
/S/ ISSIE N. RABINOVITCH Issie N. Rabinovitch	Director	March 2, 2015
/S/ THOMAS E. RANDLETT Thomas E. Randlett	Director	March 2, 2015
/S/ THOMAS E. ROBINSON Thomas E. Robinson	Director	March 2, 2015
/S/ BYRON A. SCORDELIS Byron A. Scordelis	Director	March 2, 2015
/S/ JANICE L. SEARS Janice L. Sears	Director	March 2, 2015
/S/ THOMAS P. SULLIVAN Thomas P. Sullivan	Director	March 2, 2015

/S/ CLAUDE J. ZINNGRABE Claude J. Zinngrabe	Director	March 2, 2015

Table of Contents

EXHIBIT INDEX

Exhibit No.	Document
2.1	Agreement and Plan of Merger, dated as of December 19, 2013, by and among Essex Property Trust, Inc., BRE Properties, Inc. and Bronco Acquisition Sub, Inc., a Delaware corporation, attached as Exhibit 2.1 to the Company's Form 8-K, filed on December 20, 2013, and incorporated herein by reference.
3.1	Articles of Amendment and Restatement of Essex Property Trust, Inc., attached as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 17, 2013, and incorporated herein by reference.
3.2	Third Amended and Restated Bylaws of Essex Property Trust, Inc., dated as of May 14, 2013, attached as Exhibit 3.2 to the Company’s Current Report on Form 8-K, filed May 17, 2013, and incorporated herein by reference.
3.3	Certificate of Limited Partnership of Essex Portfolio, L.P. and amendments thereto, attached as Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference.
4.1	Form of 7.125% Series H Cumulative Redeemable Preferred Stock Certificate, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 13, 2011, and incorporated herein by reference.
4.2	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.
4.3	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.
4.4	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.
4.5	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.
4.6	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.
4.7	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.
4.8	Registration Rights Agreement related to the 5.500% Senior Notes due 2017, dated April 4, 2014, between Essex Portfolio, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, attached as Exhibit 4.7 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
4.9	Registration Rights Agreement related to the 5.200% Senior Notes due 2021, dated April 4, 2014, between Essex Portfolio, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, attached as Exhibit 4.8 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
4.10	Registration Rights Agreement related to the 3.375% Senior Notes due 2023, dated April 4, 2014, between Essex Portfolio, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, attached as Exhibit 4.9 to Essex Property Trust, Inc.'s Current Report on Form 8-K, filed April 10, 2014, and incorporated herein by reference.
4.11	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.

4.12	Registration Rights Agreement, dated April 15, 2014, among Essex Portfolio, L.P., Essex Property Trust, Inc., and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC as representatives of the several initial purchasers, attached as Exhibit 10.1 to Essex Property Trust, Inc.’s Current Report on Form 8-K, filed April 16, 2014, 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	2005 Deferred Compensation Plan (as amended and restated) of Essex Portfolio, L.P., dated as of December 2, 2008, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 8, 2008, and incorporated herein by reference.*
10.4	Form of Indemnification Agreement between Essex Property Trust, Inc. and its directors and officers, attached as Exhibit 99.1 to the Company's Current Report on Form 8-K, filed February 25, 2011, and incorporated herein by reference.*
10.5	Note Purchase Agreement, dated as of March 31, 2011, among Essex Portfolio, L.P., Essex Property Trust, Inc. and the purchasers of the notes party thereto (including the form of the 4.36% Senior Guaranteed Notes, due March 31, 2016), attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 1, 2011, and incorporated herein by reference.†
10.6	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.†
10.7	Amended and Restated 2004 Non-Employee Director Equity Award Program, dated May 1, 2011, attached as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, and incorporated herein by reference.*
10.8	Amended and Restated Revolving Credit Agreement, dated as of September 16, 2011, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, and other lenders as specified therein, attached as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and incorporated herein by reference.
10.9	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. †

10.10	First Amendment to Amended and Restated Revolving Credit Agreement, dated May 31, 2012, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and the other lenders party thereto, attached as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, and incorporated herein by reference.
10.11	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.
10.12	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.
10.13	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.*
10.14	Second Amendment to Amended and Restated Revolving Credit Agreement, dated August 30, 2012, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and the other lenders party thereto, attached as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and incorporated herein by reference.
10.15	Third Amendment to Amended and Restated Revolving Credit Agreement, dated January 22, 2013, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and the other lenders party thereto, attached as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and incorporated herein by reference.

10.16	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.*
10.17	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.*
10.18	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.*
10.19	Company’s Non-Employee Director Equity Award Program and forms of equity award agreements thereunder, attached as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference.*
10.20	Third Amended and Restated Agreement of Limited Partnership of Essex Portfolio, L.P., dated as of December 10, 2013, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 12, 2013, and incorporated herein by reference.*
10.21	Fourth Amendment to Amended and Restated Revolving Credit Agreement, dated as of January 29, 2014, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C Issuer and the other lenders party thereto, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 31, 2014, and incorporated herein by reference.
10.22	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.
10.23	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.*
10.24	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.*
10.25	Form of Equity Distribution Agreement between Essex Property Trust, Inc. and various entities, dated August 28, 2014, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed September 2, 2014, and incorporated herein by reference.
10.26	Form of Amended & Restated Equity Distribution Agreement between Essex Property Trust, Inc. and various entities, dated August 28, 2014, attached as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed September 2, 2014, and incorporated herein by reference.
10.27	Fifth Amendment to Amended and Restated Revolving Credit Agreement, dated as of January 22, 2015, by and among Essex Portfolio, L.P., PNC Bank, National Association, as Administrative Agent and L/C

	Issuer and other lenders party thereto.
10.28	Forms of Essex Property Trust, Inc., Essex Portfolio L.P., Long-Term Incentive Plan Award Agreements.*
12.1	Schedule of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
14.1	Code of Business Conduct and Ethics, attached as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference.
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 Michael T. Dance, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Table of Contents

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 Michael T. Dance, 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 Michael T. Dance, 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 Michael T. Dance, 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
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.