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

# FORM 10-Q

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

**For the quarterly period ended March 31, 2020**

**OR**

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

**For the transition period from _____to _____**

**001-13106 (Essex Property Trust, Inc.)**
**333-44467-01 (Essex Portfolio, L.P.)**
(Commission File Number)

# ESSEX PROPERTY TRUST, INC.
# ESSEX PORTFOLIO, L.P.

(Exact name of Registrant as Specified in its Charter)

| **Maryland** | **77-0369576** |
|---|---|
| **(Essex Property Trust, Inc.)** | **(Essex Property Trust, Inc.)** |
| **California** | **77-0369575** |
| **(Essex Portfolio, L.P.)** | **(Essex Portfolio, L.P.)** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |

**1100 Park Place, Suite 200**
**San Mateo, California 94403**
(Address of Principal Executive Offices, Including Zip Code)

**(650) 655-7800**
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $.0001 par value (Essex Property Trust, Inc.) | ESS | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Essex Property Trust, Inc. Yes ☒ No ☐ Essex Portfolio, L.P. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Essex Property Trust, Inc. Yes ☒ No ☐ Essex Portfolio, L.P. Yes ☒ No ☐

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

Essex Property Trust, Inc.:

| | | | |
|---|---|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ | Non-accelerated filer ☐ | Smaller reporting company ☐ |
| | | | Emerging growth company ☐ |

Essex Portfolio, L.P.:

| | | | |
|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☒ | Smaller reporting company ☐ |
| | | | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Essex Property Trust, Inc. ☐ Essex Portfolio, L.P. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Essex Property Trust, Inc. Yes ☐ No ☒ Essex Portfolio, L.P. Yes ☐ No ☒

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 65,417,355 shares of Common Stock ($.0001 par value) of Essex Property Trust, Inc. were outstanding as of May 5, 2020.

## EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the three month period ended March 31, 2020 of Essex Property Trust, Inc., a Maryland corporation, and Essex Portfolio, L.P., a Delaware limited partnership of which Essex Property Trust, Inc. is the sole general partner.

Unless stated otherwise or the context otherwise requires, references to the "Company," "we," "us" or "our" mean collectively Essex Property Trust, Inc. and those entities/subsidiaries owned or controlled by Essex Property Trust, Inc., including Essex Portfolio, L.P., and references to the "Operating Partnership" mean Essex Portfolio, L.P. and those entities/subsidiaries owned or controlled by Essex Portfolio, L.P. Unless stated otherwise or the context otherwise requires, references to "Essex" mean Essex Property Trust, Inc., not including any of its subsidiaries.

Essex operates as a self-administered and self-managed real estate investment trust ("REIT"), and is the sole general partner of the Operating Partnership. As the sole general partner of the Operating Partnership, Essex has exclusive control of the Operating Partnership's day-to-day management.

The Company is structured as an umbrella partnership REIT ("UPREIT") and Essex contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, Essex receives a number of Operating Partnership limited partnership units ("OP Units," and the holders of such OP Units, "Unitholders") equal to the number of shares of common stock it has issued in the equity offerings. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units, which is one of the reasons why the Company is structured in the manner outlined above. Based on the terms of the Operating Partnership's partnership agreement, OP Units can be exchanged into Essex common stock on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units issued to Essex and shares of common stock.

The Company believes that combining the reports on Form 10-Q of Essex and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of Essex and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both Essex and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates Essex and the Operating Partnership as one business. The management of Essex consists of the same members as the management of the Operating Partnership.

All of the Company's property ownership, development, and related business operations are conducted through the Operating Partnership and Essex has no material assets, other than its investment in the Operating Partnership. Essex's primary function is acting as the general partner of the Operating Partnership. As general partner with control of the Operating Partnership, Essex consolidates the Operating Partnership for financial reporting purposes. Therefore, the assets and liabilities of Essex and the Operating Partnership are the same on their respective financial statements. Essex also issues equity from time to time and guarantees certain debt of the Operating Partnership, as disclosed in this report. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its co-investments. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by the Company, which are contributed to the capital of the Operating Partnership in exchange for OP Units (on a one-for-one share of common stock per OP Unit basis), the Operating Partnership generates all remaining capital required by the Company's business. These sources of capital include the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its revolving credit facilities, the issuance of secured and unsecured debt and equity securities and proceeds received from disposition of certain properties and co-investments.

The Company believes it is important to understand the few differences between Essex and the Operating Partnership in the context of how Essex and the Operating Partnership operate as a consolidated company. Stockholders' equity, partners' capital and noncontrolling interest are the main areas of difference between the condensed consolidated financial statements of Essex and those of the Operating Partnership. The limited partners of the Operating Partnership are accounted for as partners' capital in the Operating Partnership's condensed consolidated financial statements and as noncontrolling interest in Essex’s condensed consolidated financial statements. The noncontrolling interest in the Operating Partnership's condensed consolidated financial statements include the interest of unaffiliated partners in various consolidated partnerships and co-investment partners. The noncontrolling interest in Essex's condensed consolidated financial statements include (i) the same noncontrolling interest as

presented in the Operating Partnership's condensed consolidated financial statements and (ii) OP Unitholders. The differences between stockholders' equity and partners' capital result from differences in the equity issued at Essex and Operating Partnership levels.

To help investors understand the significant differences between Essex and the Operating Partnership, this report on Form 10-Q provides separate consolidated financial statements for Essex and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of stockholders' equity or partners' capital, and earnings per share/unit, as applicable; and a combined Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report on Form 10-Q also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of Essex and the Operating Partnership in order to establish that the requisite certifications have been made and that Essex and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. §1350.

In order to highlight the differences between Essex and the Operating Partnership, the separate sections in this report on Form 10-Q for Essex and the Operating Partnership specifically refer to Essex and the Operating Partnership. In the sections that combine disclosure of Essex and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and co-investments and holds assets and debt, reference to the Company is appropriate because the Company is one business and the Company operates that business through the Operating Partnership. The separate discussions of Essex and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

The information furnished in the accompanying unaudited condensed consolidated balance sheets, statements of income and comprehensive income, equity, capital, and cash flows of the Company and the Operating Partnership reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the aforementioned condensed consolidated financial statements for the interim periods and are normal and recurring in nature, except as otherwise noted.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the notes to such unaudited condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations herein. Additionally, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019.

**ESSEX PROPERTY TRUST, INC.**
**ESSEX PORTFOLIO, L.P.**
**FORM 10-Q**
**TABLE OF CONTENTS**


| | | |
|---|---|---|
| **PART I. FINANCIAL INFORMATION** | | **Page No.** |
| Item 1. | **Condensed Consolidated Financial Statements of Essex Property Trust, Inc. (Unaudited)** | |
| | Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019 | 2 |
| | Condensed Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2020 and 2019 | 3 |
| | Condensed Consolidated Statements of Equity for the three months ended March 31, 2020 and 2019 | 4 |
| | Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019 | 6 |
| | **Condensed Consolidated Financial Statements of Essex Portfolio, L.P. (Unaudited)** | |
| | Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019 | 8 |
| | Condensed Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2020 and 2019 | 9 |
| | Condensed Consolidated Statements of Capital for the three months ended March 31, 2020 and 2019 | 10 |
| | Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019 | 12 |
| | Notes to Condensed Consolidated Financial Statements | 14 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 31 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risks | 40 |
| Item 4. | Controls and Procedures | 41 |
| **PART II. OTHER INFORMATION** | | |
| Item 1. | Legal Proceedings | 42 |
| Item 1A. | Risk Factors | 42 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 43 |
| Item 3. | Defaults Upon Senior Securities | 44 |
| Item 4. | Mine Safety Disclosures | 44 |
| Item 5. | Other Information | 44 |
| Item 6. | Exhibits | 45 |
| Signatures | | 46 |

**Part I – Financial Information**

**Item 1. Condensed Consolidated Financial Statements**

**ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES**
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except parenthetical and share amounts)

| **ASSETS** | **March 31, 2020** | **December 31, 2019** |
|---|---|---|
| Real estate: | | |
| Rental properties: | | |
| Land and land improvements | $ 2,983,314 | $ 2,773,805 |
| Buildings and improvements | 12,263,293 | 11,264,337 |
| | 15,246,607 | 14,038,142 |
| Less: accumulated depreciation | (3,818,489) | (3,689,482) |
| | 11,428,118 | 10,348,660 |
| Real estate under development | 435,865 | 546,075 |
| Co-investments | 997,137 | 1,335,339 |
| | 12,861,120 | 12,230,074 |
| Cash and cash equivalents-unrestricted | 271,877 | 70,087 |
| Cash and cash equivalents-restricted | 10,470 | 11,007 |
| Marketable securities, net of allowance for credit losses of $13.6 million and zero as of March 31, 2020 and December 31, 2019, respectively | 148,139 | 144,193 |
| Notes and other receivables, net of allowance for credit losses of $0.1 million and zero as of March 31, 2020 and December 31, 2019, respectively (includes related party receivables of $7.7 million and $90.2 million as of March 31, 2020 and December 31, 2019, respectively) | 34,867 | 134,365 |
| Operating lease right-of-use assets | 74,428 | 74,744 |
| Prepaid expenses and other assets | 49,940 | 40,935 |
| Total assets | $ 13,450,841 | $ 12,705,405 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Unsecured debt, net | $ 5,258,263 | $ 4,763,206 |
| Mortgage notes payable, net | 887,389 | 990,667 |
| Lines of credit | 350,000 | 55,000 |
| Accounts payable and accrued liabilities | 193,564 | 158,017 |
| Construction payable | 50,538 | 48,912 |
| Dividends payable | 142,800 | 135,384 |
| Operating lease liabilities | 76,405 | 76,740 |
| Other liabilities | 41,290 | 36,565 |
| Total liabilities | 7,000,249 | 6,264,491 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 32,643 | 37,410 |
| Equity: | | |
| Common stock; $.0001 par value, 670,000,000 shares authorized; 65,412,355 and 66,091,954 shares issued and outstanding, respectively | 7 | 7 |
| Additional paid-in capital | 6,959,523 | 7,121,927 |
| Distributions in excess of accumulated earnings | (708,697) | (887,619) |
| Accumulated other comprehensive loss, net | (22,668) | (13,888) |
| Total stockholders' equity | 6,228,165 | 6,220,427 |
| Noncontrolling interest | 189,784 | 183,077 |
| Total equity | 6,417,949 | 6,403,504 |
| Total liabilities and equity | $ 13,450,841 | $ 12,705,405 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES**
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
(In thousands, except share and per share amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenues: | | |
| Rental and other property | $ 389,750 | $ 353,888 |
| Management and other fees from affiliates | 2,617 | 2,335 |
| | 392,367 | 356,223 |
| Expenses: | | |
| Property operating, excluding real estate taxes | 64,131 | 58,622 |
| Real estate taxes | 43,012 | 39,418 |
| Corporate-level property management expenses | 8,759 | 8,429 |
| Depreciation and amortization | 131,559 | 120,568 |
| General and administrative | 13,982 | 13,459 |
| Expensed acquisition and investment related costs | 87 | 32 |
| | 261,530 | 240,528 |
| Earnings from operations | 130,837 | 115,695 |
| Interest expense | (55,147) | (53,643) |
| Total return swap income | 1,984 | 2,045 |
| Interest and other income (loss) | (5,221) | 12,261 |
| Equity income from co-investments | 21,297 | 16,276 |
| Gain on early retirement of debt, net | 321 | 1,336 |
| Gain on remeasurement of co-investment | 234,694 | 31,535 |
| Net income | 328,765 | 125,505 |
| Net income attributable to noncontrolling interest | (13,759) | (6,647) |
| Net income available to common stockholders | $ 315,006 | $ 118,858 |
| Comprehensive income | $ 319,678 | $ 123,668 |
| Comprehensive income attributable to noncontrolling interest | (13,452) | (6,585) |
| Comprehensive income attributable to controlling interest | $ 306,226 | $ 117,083 |
| Per share data: | | |
| Basic: | | |
| Net income available to common stockholders | $ 4.77 | $ 1.81 |
| Weighted average number of shares outstanding during the period | 66,043,831 | 65,702,788 |
| Diluted: | | |
| Net income available to common stockholders | $ 4.76 | $ 1.81 |
| Weighted average number of shares outstanding during the period | 66,195,415 | 65,783,869 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES**
Condensed Consolidated Statements of Equity for the three months ended March 31, 2020 and 2019
(Unaudited)
(In thousands)

| Three Months Ended March 31, 2020 | Common stock Shares | Common stock Amount | Additional paid-in capital | Distributions in excess of accumulated earnings | Accumulated other comprehensive loss | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|
| Balances at December 31, 2019 | 66,092 | $ 7 | $7,121,927 | $ (887,619) | $ (13,888) | $ 183,077 | $6,403,504 |
| Net income | — | — | — | 315,006 | — | 13,759 | 328,765 |
| Change in fair value of derivatives and amortization of swap settlements | — | — | — | — | (8,486) | (296) | (8,782) |
| Change in fair value of marketable debt securities, net | — | — | — | — | (294) | (11) | (305) |
| Issuance of common stock under: | | | | | | | |
| Stock option and restricted stock plans, net | 89 | — | 8,665 | — | — | — | 8,665 |
| Sale of common stock, net | — | — | (70) | — | — | — | (70) |
| Equity based compensation costs | — | — | 1,619 | — | — | 79 | 1,698 |
| Retirement of common stock, net | (776) | — | (176,311) | — | — | — | (176,311) |
| Cumulative effect upon adoption of ASU No. 2016-13 | — | — | — | (190) | — | — | (190) |
| Changes in the redemption value of redeemable noncontrolling interest | — | — | 4,741 | — | — | 26 | 4,767 |
| Changes in noncontrolling interest from acquisition | — | — | — | — | — | 1,349 | 1,349 |
| Distributions to noncontrolling interest | — | — | — | — | — | (7,879) | (7,879) |
| Redemptions of noncontrolling interest | 7 | — | (1,048) | — | — | (320) | (1,368) |
| Common stock dividends ($2.0775 per share) | — | — | — | (135,894) | — | — | (135,894) |
| Balances at March 31, 2020 | 65,412 | $ 7 | $6,959,523 | $ (708,697) | $ (22,668) | $ 189,784 | $6,417,949 |

| Three Months Ended March 31, 2019 | Common stock Shares | Common stock Amount | Additional paid-in capital | Distributions in excess of accumulated earnings | Accumulated other comprehensive loss, net | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|---|
| Balances at December 31, 2018 | 65,890 | $ 7 | $7,093,079 | $ (812,796) | $ (13,217) | $ 126,771 | $6,393,844 |
| Net income | — | — | — | 118,858 | — | 6,647 | 125,505 |
| Reversal of unrealized losses upon the sale of marketable debt securities | — | — | — | — | 32 | 1 | 33 |
| Change in fair value of derivatives and amortization of swap settlements | — | — | — | — | (1,926) | (67) | (1,993) |
| Change in fair value of marketable debt securities, net | — | — | — | — | 119 | 4 | 123 |
| Issuance of common stock under: | | | | | | | |
| Stock option and restricted stock plans, net | 51 | — | 3,204 | — | — | — | 3,204 |
| Sale of common stock, net | — | — | (20) | — | — | — | (20) |
| Equity based compensation costs | — | — | 2,301 | — | — | 299 | 2,600 |
| Retirement of common stock, net | (234) | — | (56,989) | — | — | — | (56,989) |
| Cumulative effect upon adoption of ASU No. 2017-12 | — | — | — | — | 175 | 6 | 181 |
| Changes in the redemption value of redeemable noncontrolling interest | — | — | (3,027) | — | — | 1,260 | (1,767) |
| Distributions to noncontrolling interest | — | — | — | — | — | (7,164) | (7,164) |
| Redemptions of noncontrolling interest | 9 | — | (10,394) | — | — | (1,819) | (12,213) |
| Common stock dividends ($1.95 per share) | — | — | — | (128,149) | — | — | (128,149) |
| Balances at March 31, 2019 | 65,716 | $ 7 | $7,028,154 | $ (822,087) | $ (14,817) | $ 125,938 | $6,317,195 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES**
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands, except parenthetical amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Cash flows from operating activities: | | |
| Net income | $ 328,765 | $ 125,505 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 131,559 | 120,568 |
| Amortization of discount on marketable securities | (2,394) | (5,311) |
| Amortization of discount and debt financing costs, net | 2,297 | 529 |
| Loss on sale of marketable securities | 13 | 58 |
| Provision for credit losses | (50) | — |
| Unrealized (gain) loss on equity securities recognized through income | 8,696 | (4,510) |
| Earnings from co-investments | (21,297) | (16,276) |
| Operating distributions from co-investments | 19,388 | 17,804 |
| Accrued interest from notes and other receivables | (355) | (1,424) |
| Equity-based compensation | 1,405 | 2,068 |
| Gain on early retirement of debt, net | (321) | (1,336) |
| Gain on remeasurement of co-investment | (234,694) | (31,535) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses, receivables, operating lease right-of-use assets, and other assets | (172) | (4,730) |
| Accounts payable, accrued liabilities, and operating lease liabilities | 32,808 | 53,895 |
| Other liabilities | 1,278 | 454 |
| Net cash provided by operating activities | 266,926 | 255,759 |
| Cash flows from investing activities: | | |
| Additions to real estate: | | |
| Acquisitions of real estate and acquisition related capital expenditures, net of cash acquired | (458,302) | (44,984) |
| Redevelopment | (18,296) | (14,157) |
| Development acquisitions of and additions to real estate under development | (25,681) | (39,306) |
| Capital expenditures on rental properties | (17,151) | (17,075) |
| Collections of notes and other receivables | 98,711 | 2,500 |
| Proceeds from insurance for property losses | 457 | 1,583 |
| Contributions to co-investments | (21,905) | (126,248) |
| Changes in refundable deposits | 96 | 5 |
| Purchases of marketable securities | (10,731) | (8,413) |
| Sales and maturities of marketable securities | 165 | 16,847 |
| Non-operating distributions from co-investments | 7,000 | 10,000 |
| Net cash used in investing activities | (445,637) | (219,248) |
| Cash flows from financing activities: | | |
| Proceeds from unsecured debt and mortgage notes | 498,140 | 498,234 |
| Payments on unsecured debt and mortgage notes | (102,563) | (360,975) |
| Proceeds from lines of credit | 1,038,426 | 567,029 |
| Repayments of lines of credit | (743,426) | (567,029) |
| Retirement of common stock | (176,311) | (56,989) |
| Additions to deferred charges | (5,172) | (5,445) |
| Net proceeds from issuance of common stock | (70) | (20) |
| Net proceeds from stock options exercised | 14,329 | 6,699 |
| Payments related to tax withholding for share-based compensation | (5,664) | (3,495) |
| Distributions to noncontrolling interest | (7,478) | (6,978) |
| Redemption of noncontrolling interest | (1,368) | (12,213) |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Redemption of redeemable noncontrolling interest | — | (73) |
| Common stock dividends paid | (128,879) | (122,525) |
| Net cash provided by (used in) financing activities | 379,964 | (63,780) |
| Net increase (decrease) in unrestricted and restricted cash and cash equivalents | 201,253 | (27,269) |
| Unrestricted and restricted cash and cash equivalents at beginning of period | 81,094 | 151,395 |
| Unrestricted and restricted cash and cash equivalents at end of period | $ 282,347 | $ 124,126 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest (net of $4.8 million and $5.9 million capitalized in 2020 and 2019, respectively) | $ 52,487 | $ 41,914 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 1,715 | $ 1,694 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Transfers between real estate under development and rental properties, net | $ 131,841 | $ — |
| Transfer from real estate under development to co-investments | $ 824 | $ 313 |
| Reclassifications (from) to redeemable noncontrolling interest to/from additional paid in capital and noncontrolling interest | $ (4,767) | $ 1,767 |
| Initial recognition of operating lease right-of-use assets | $ — | $ 77,645 |
| Initial recognition of operating lease liabilities | $ — | $ 79,693 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES**
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except parenthetical and unit amounts)

| **ASSETS** | **March 31, 2020** | **December 31, 2019** |
|---|---|---|
| Real estate: | | |
| Rental properties: | | |
| Land and land improvements | $ 2,983,314 | $ 2,773,805 |
| Buildings and improvements | 12,263,293 | 11,264,337 |
| | 15,246,607 | 14,038,142 |
| Less: accumulated depreciation | (3,818,489) | (3,689,482) |
| | 11,428,118 | 10,348,660 |
| Real estate under development | 435,865 | 546,075 |
| Co-investments | 997,137 | 1,335,339 |
| | 12,861,120 | 12,230,074 |
| Cash and cash equivalents-unrestricted | 271,877 | 70,087 |
| Cash and cash equivalents-restricted | 10,470 | 11,007 |
| Marketable securities, net of allowance for credit losses of $13.6 million and zero as of March 31, 2020 and December 31, 2019, respectively | 148,139 | 144,193 |
| Notes and other receivables, net of allowance for credit losses of $0.1 million and zero as of March 31, 2020 and December 31, 2019, respectively (includes related party receivables of $7.7 million and $90.2 million as of March 31, 2020 and December 31, 2019, respectively) | 34,867 | 134,365 |
| Operating lease right-of-use assets | 74,428 | 74,744 |
| Prepaid expenses and other assets | 49,940 | 40,935 |
| Total assets | $ 13,450,841 | $ 12,705,405 |
| | | |
| **LIABILITIES AND CAPITAL** | | |
| Unsecured debt, net | $ 5,258,263 | $ 4,763,206 |
| Mortgage notes payable, net | 887,389 | 990,667 |
| Lines of credit | 350,000 | 55,000 |
| Accounts payable and accrued liabilities | 193,564 | 158,017 |
| Construction payable | 50,538 | 48,912 |
| Distributions payable | 142,800 | 135,384 |
| Operating lease liabilities | 76,405 | 76,740 |
| Other liabilities | 41,290 | 36,565 |
| Total liabilities | 7,000,249 | 6,264,491 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 32,643 | 37,410 |
| Capital: | | |
| General Partner: | | |
| Common equity (65,412,355 and 66,091,954 units issued and outstanding, respectively) | 6,250,833 | 6,234,315 |
| | 6,250,833 | 6,234,315 |
| Limited Partners: | | |
| Common equity (2,296,043 and 2,301,653 units issued and outstanding, respectively) | 63,550 | 57,359 |
| Accumulated other comprehensive loss | (19,519) | (10,432) |
| Total partners' capital | 6,294,864 | 6,281,242 |
| Noncontrolling interest | 123,085 | 122,262 |
| Total capital | 6,417,949 | 6,403,504 |
| Total liabilities and capital | $ 13,450,841 | $ 12,705,405 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES**
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
(In thousands, except unit and per unit amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenues: | | |
| Rental and other property | $ 389,750 | $ 353,888 |
| Management and other fees from affiliates | 2,617 | 2,335 |
| | 392,367 | 356,223 |
| Expenses: | | |
| Property operating, excluding real estate taxes | 64,131 | 58,622 |
| Real estate taxes | 43,012 | 39,418 |
| Corporate-level property management expenses | 8,759 | 8,429 |
| Depreciation and amortization | 131,559 | 120,568 |
| General and administrative | 13,982 | 13,459 |
| Expensed acquisition and investment related costs | 87 | 32 |
| | 261,530 | 240,528 |
| Earnings from operations | 130,837 | 115,695 |
| Interest expense | (55,147) | (53,643) |
| Total return swap income | 1,984 | 2,045 |
| Interest and other income (loss) | (5,221) | 12,261 |
| Equity income from co-investments | 21,297 | 16,276 |
| Gain on early retirement of debt, net | 321 | 1,336 |
| Gain on remeasurement of co-investment | 234,694 | 31,535 |
| Net income | 328,765 | 125,505 |
| Net income attributable to noncontrolling interest | (2,773) | (2,476) |
| Net income available to common unitholders | $ 325,992 | $ 123,029 |
| Comprehensive income | $ 319,678 | $ 123,668 |
| Comprehensive income attributable to noncontrolling interest | (2,773) | (2,476) |
| Comprehensive income attributable to controlling interest | $ 316,905 | $ 121,192 |
| Per unit data: | | |
| Basic: | | |
| Net income available to common unitholders | $ 4.77 | $ 1.81 |
| Weighted average number of common units outstanding during the period | 68,344,012 | 68,007,852 |
| Diluted: | | |
| Net income available to common unitholders | $ 4.76 | $ 1.81 |
| Weighted average number of common units outstanding during the period | 68,495,596 | 68,088,933 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES**
Condensed Consolidated Statements of Capital for the three months ended March 31, 2020 and 2019
(Unaudited)
(In thousands)

| | General Partner | | Limited Partners | | | | |
|---|---|---|---|---|---|---|---|
| | Common Equity | | Common Equity | | Accumulated other comprehensive loss | Noncontrolling interest | Total |
| **Three months ended March 31, 2020** | Units | Amount | Units | Amount | | | |
| Balances at December 31, 2019 | 66,092 | $6,234,315 | 2,302 | $ 57,359 | $ (10,432) | $ 122,262 | $ 6,403,504 |
| Net income | — | 315,006 | — | 10,986 | — | 2,773 | 328,765 |
| Change in fair value of derivatives and amortization of swap settlements | — | — | — | — | (8,782) | — | (8,782) |
| Change in fair value of marketable debt securities, net | — | — | — | — | (305) | — | (305) |
| Issuance of common units under: | | | | | | | |
| General partner's stock based compensation, net | 89 | 8,665 | — | — | — | — | 8,665 |
| Sale of common stock by general partner, net | — | (70) | — | — | — | — | (70) |
| Equity based compensation costs | — | 1,619 | 2 | 79 | — | — | 1,698 |
| Retirement of common units, net | (776) | (176,311) | — | — | — | — | (176,311) |
| Cumulative effect upon adoption of ASU No. 2016-13 | — | (190) | — | — | — | — | (190) |
| Changes in the redemption value of redeemable noncontrolling interest | — | 4,741 | — | (18) | — | 44 | 4,767 |
| Changes in noncontrolling interest from acquisition | — | — | — | — | — | 1,349 | 1,349 |
| Distributions to noncontrolling interest | — | — | — | — | — | (3,107) | (3,107) |
| Redemptions | 7 | (1,048) | (8) | (84) | | (236) | (1,368) |
| Distributions declared ($2.0775 per unit) | — | (135,894) | — | (4,772) | — | — | (140,666) |
| Balances at March 31, 2020 | 65,412 | $6,250,833 | 2,296 | $ 63,550 | $ (19,519) | $ 123,085 | $ 6,417,949 |

| Three months ended March 31, 2019 | General Partner Common Equity Units | General Partner Common Equity Amount | Limited Partners Common Equity Units | Limited Partners Common Equity Amount | Accumulated other comprehensive loss | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|
| Balances at December 31, 2018 | 65,890 | $6,280,290 | 2,305 | $ 59,061 | $ (9,738) | $ 64,231 | $ 6,393,844 |
| Net income | — | 118,858 | — | 4,171 | — | 2,476 | 125,505 |
| Reversal of unrealized losses upon the sale of marketable debt securities | — | — | — | — | 33 | — | 33 |
| Change in fair value of derivatives and amortization of swap settlements | — | — | — | — | (1,993) | — | (1,993) |
| Change in fair value of marketable debt securities, net | — | — | — | — | 123 | — | 123 |
| Issuance of common units under: | | | | | | | |
| General partner's stock based compensation, net | 51 | 3,204 | — | — | — | — | 3,204 |
| Sale of common stock by general partner, net | — | (20) | — | — | — | — | (20) |
| Equity based compensation costs | — | 2,301 | 3 | 299 | — | — | 2,600 |
| Retirement of common units, net | (234) | (56,989) | — | — | — | — | (56,989) |
| Cumulative effect upon adoption of ASU No. 2017-12 | — | — | — | — | 181 | — | 181 |
| Changes in redemption value of redeemable noncontrolling interest | — | (3,027) | — | (2) | — | 1,262 | (1,767) |
| Distributions to noncontrolling interest | — | — | — | — | — | (2,667) | (2,667) |
| Redemptions | 9 | (10,394) | (9) | (365) | — | (1,454) | (12,213) |
| Distributions declared ($1.95 per unit) | — | (128,149) | — | (4,497) | — | — | (132,646) |
| Balances at March 31, 2019 | 65,716 | $6,206,074 | 2,299 | $ 58,667 | $ (11,394) | $ 63,848 | $ 6,317,195 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES**
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands, except parenthetical amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net income | $ 328,765 | $ 125,505 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 131,559 | 120,568 |
| Amortization of discount on marketable securities | (2,394) | (5,311) |
| Amortization of discount and debt financing costs, net | 2,297 | 529 |
| Loss on sale of marketable securities | 13 | 58 |
| Provision for credit losses | (50) | — |
| Unrealized (gain) loss on equity securities recognized through income | 8,696 | (4,510) |
| Earnings from co-investments | (21,297) | (16,276) |
| Operating distributions from co-investments | 19,388 | 17,804 |
| Accrued interest from notes and other receivables | (355) | (1,424) |
| Equity-based compensation | 1,405 | 2,068 |
| Gain on early retirement of debt, net | (321) | (1,336) |
| Gain on remeasurement of co-investment | (234,694) | (31,535) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses, receivables, operating lease right-of-use assets, and other assets | (172) | (4,730) |
| Accounts payable, accrued liabilities, and operating lease liabilities | 32,808 | 53,895 |
| Other liabilities | 1,278 | 454 |
| Net cash provided by operating activities | 266,926 | 255,759 |
| Cash flows from investing activities: | | |
| Additions to real estate: | | |
| Acquisitions of real estate and acquisition related capital expenditures, net of cash acquired | (458,302) | (44,984) |
| Redevelopment | (18,296) | (14,157) |
| Development acquisitions of and additions to real estate under development | (25,681) | (39,306) |
| Capital expenditures on rental properties | (17,151) | (17,075) |
| Collections of notes and other receivables | 98,711 | 2,500 |
| Proceeds from insurance for property losses | 457 | 1,583 |
| Contributions to co-investments | (21,905) | (126,248) |
| Changes in refundable deposits | 96 | 5 |
| Purchases of marketable securities | (10,731) | (8,413) |
| Sales and maturities of marketable securities | 165 | 16,847 |
| Non-operating distributions from co-investments | 7,000 | 10,000 |
| Net cash used in investing activities | (445,637) | (219,248) |
| Cash flows from financing activities: | | |
| Proceeds from unsecured debt and mortgage notes | 498,140 | 498,234 |
| Payments on unsecured debt and mortgage notes | (102,563) | (360,975) |
| Proceeds from lines of credit | 1,038,426 | 567,029 |
| Repayments of lines of credit | (743,426) | (567,029) |
| Retirement of common units | (176,311) | (56,989) |
| Additions to deferred charges | (5,172) | (5,445) |
| Net proceeds from issuance of common units | (70) | (20) |
| Net proceeds from stock options exercised | 14,329 | 6,699 |
| Payments related to tax withholding for share-based compensation | (5,664) | (3,495) |
| Distributions to noncontrolling interest | (2,016) | (1,959) |
| Redemption of noncontrolling interests | (1,368) | (12,213) |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Redemption of redeemable noncontrolling interests | — | (73) |
| Common units distributions paid | (134,341) | (127,544) |
| Net cash provided by (used in) financing activities | 379,964 | (63,780) |
| Net increase (decrease) in unrestricted and restricted cash and cash equivalents | 201,253 | (27,269) |
| Unrestricted and restricted cash and cash equivalents at beginning of period | 81,094 | 151,395 |
| Unrestricted and restricted cash and cash equivalents at end of period | $ 282,347 | $ 124,126 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest (net of $4.8 million and $5.9 million capitalized in 2020 and 2019, respectively) | $ 52,487 | $ 41,914 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 1,715 | $ 1,694 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Transfers between real estate under development and rental properties, net | $ 131,841 | $ — |
| Transfer from real estate under development to co-investments | $ 824 | $ 313 |
| Reclassifications (from) to redeemable noncontrolling interest to/from general and limited partner capital and noncontrolling interest | $ (4,767) | $ 1,767 |
| Initial recognition of operating lease right-of-use assets | $ — | $ 77,645 |
| Initial recognition of operating lease liabilities | $ — | $ 79,693 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES**
**ESSEX PORTFOLIO, L.P. AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
March 31, 2020 and 2019
(Unaudited)

## (1) Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements present the accounts of Essex Property Trust, Inc. ("Essex" or the "Company"), which include the accounts of the Company and Essex Portfolio, L.P. and its subsidiaries (the "Operating Partnership," which holds the operating assets of the Company), prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented have been included and are normal and recurring in nature. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019.

All significant intercompany accounts and transactions have been eliminated in the unaudited condensed consolidated financial statements. Certain reclassifications have been made to conform to the current year's presentation.

The unaudited condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 include the accounts of the Company and the Operating Partnership. Essex is the sole general partner of the Operating Partnership, with a 96.6% general partnership interest as of both March 31, 2020 and December 31, 2019. Total Operating Partnership limited partnership units ("OP Units," and the holders of such OP Units, "Unitholders") outstanding were 2,296,043 and 2,301,653 as of March 31, 2020 and December 31, 2019, respectively, and the redemption value of the units, based on the closing price of the Company's common stock totaled approximately $505.7 million and $692.5 million as of March 31, 2020 and December 31, 2019, respectively.

As of March 31, 2020, the Company owned or had ownership interests in 250 operating apartment communities, aggregating 60,770 apartment homes, excluding the Company's ownership interest in preferred interest co-investments, loan investments, one operating commercial building, and a development pipeline comprised of four consolidated projects and two unconsolidated joint venture projects. The operating apartment communities are located in Southern California (primarily Los Angeles, Orange, San Diego, and Ventura counties), Northern California (the San Francisco Bay Area) and the Seattle metropolitan areas.

***Accounting Pronouncements Adopted in the Current Year***

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13 "Measurement of Credit Losses on Financial Instruments," which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables, available-for-sale securities, and other financial instruments. Generally, this amendment requires entities to establish a valuation allowance for the expected lifetime losses of these certain financial assets. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses are permitted. Previously, U.S. GAAP required entities to write down credit losses only when losses were probable and loss reversals were not permitted. The FASB additionally issued various updates to clarify and amend the guidance provided in ASU No. 2016-13. In May 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which, with respect to credit losses, among other things, clarifies and addresses issues related to accrued interest, transfers between classifications of loans or debt securities, recoveries, and variable interest rates. Additionally, in May 2019, the FASB issued ASU No. 2019-05, "Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief," which allows entities to irrevocably elect the fair value option on certain financial instruments. The Company adopted ASU No. 2016-13, ASU No. 2019-04, and ASU No. 2019-05 as of January 1, 2020, using the modified retrospective approach by applying a cumulative effect adjustment of $0.2 million representing estimated accumulated credit losses to the opening balance of retained earnings.

In August 2018, the FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which eliminates certain disclosure requirements affecting all levels of measurements, and modifies and adds new disclosure requirements for Level 3 measurements. The Company adopted ASU No. 2018-13 as of January 1, 2020. This adoption did not have a material impact on the Company's consolidated results of operations or financial position.

In March 2020, the FASB issued ASU No. 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU No. 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the first quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

***Marketable Securities***

The Company reports its equity securities and available for sale debt securities at fair value, based on quoted market prices (Level 1 for the common stock and investment funds, Level 2 for the unsecured bonds and Level 3 for investments in mortgage backed securities, as defined by the FASB standard for fair value measurements). As of March 31, 2020 and December 31, 2019, $3.2 million and $3.6 million, respectively, of equity securities presented within common stock and stock funds in the tables below, represent investments measured at fair value, using net asset value as a practical expedient, and are not categorized in the fair value hierarchy.

Any unrealized gain or loss in debt securities classified as available for sale is recorded as other comprehensive income. Unrealized gains and losses in equity securities, realized gains and losses in debt securities, interest income, and amortization of purchase discounts are included in interest and other income (loss) on the condensed consolidated statements of income and comprehensive income.

As of March 31, 2020 and December 31, 2019, equity securities and available for sale debt securities consisted primarily of investment-grade unsecured bonds, U.S. treasury securities, common stock and stock funds. As of March 31, 2020 and December 31, 2019, the Company classified its mortgage backed security investment, which matures in September 2020, as held to maturity, and accordingly, this security is stated at its amortized cost. The discount on the mortgage backed security is being amortized to interest income based on an estimated yield and the maturity date of the security.

As of March 31, 2020 and December 31, 2019, marketable securities consist of the following ($ in thousands):

| | March 31, 2020 | | | |
|---|---|---|---|---|
| | Amortized Cost/Cost | Gross Unrealized Gain (Loss) | Carrying Value | Allowance for Credit Losses |
| Equity securities: | | | | |
| Investment funds - debt securities | $ 29,685 | $ (676) | $ 29,009 | |
| Common stock and stock funds | 45,395 | (4,549) | 40,846 | |
| | | | | |
| Debt securities: | | | | |
| *Available for sale* | | | | |
| U.S. treasury securities | 2,421 | 16 | 2,437 | — |
| Investment-grade unsecured debt | 1,050 | (248) | 802 | — |
| *Held to maturity* | | | | |
| Mortgage backed securities | 75,045 | — | 75,045 | 13,644 |
| Total - Marketable securities | $ 153,596 | $ (5,457) | $ 148,139 | $ 13,644 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Amortized Cost/Cost | Gross Unrealized Gain (Loss) | Carrying Value |
| Equity securities: | | | |
| Investment funds - debt securities | $ 29,588 | $ 544 | $ 30,132 |
| Common stock and stock funds | 34,941 | 2,927 | 37,868 |
| | | | |
| Debt securities: | | | |
| *Available for sale* | | | |
| U.S. treasury securities | 2,421 | 13 | 2,434 |
| Investment-grade unsecured bonds | 1,048 | 60 | 1,108 |
| *Held to maturity* | | | |
| Mortgage backed securities | 72,651 | — | 72,651 |
| Total - Marketable securities | $ 140,649 | $ 3,544 | $ 144,193 |

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

For the three months ended March 31, 2020 and 2019, the proceeds from sales and maturities of marketable securities totaled $0.2 million and $16.8 million, respectively, which resulted in $13 thousand and $0.1 million in realized losses, respectively, for such periods.

For the three months ended March 31, 2020 and 2019, the portion of equity security unrealized losses or gains that were recognized in income totaled $8.7 million in losses and $4.5 million in gains, respectively, and were included in interest and other income (loss) on the Company's condensed consolidated statements of income and comprehensive income.

Unrealized losses on Investment-grade unsecured bonds as of March 31, 2020 have not been recognized into income because the debts of the issuers are of high credit quality, management does not intend to sell the securities, it is likely that the Company will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to other market conditions.

The Company monitors the credit quality of its held to maturity mortgage backed security through the review of remittance reports and individual loan watchlists, which are prepared quarterly and provide most recent debt service coverage ratios for each loan within the security, when available. The Company monitors such reports to determine the likelihood that a particular loan within the mortgage backed security may be foreclosed upon.

The Company measures the expected credit loss on its held to maturity mortgage backed security based on the present value of expected future cash flows, which takes into account current market conditions and available credit information obtained from the individual loans held within the mortgage backed security. The following table presents the allowance for credit losses rollforward for the mortgage backed security ($ in thousands):

| | |
|---|---|
| Balance at December 31, 2019 | $ — |
| Impact of adoption ASC 326 [(1)] | 13,644 |
| Provision for credit losses | — |
| Balance at March 31, 2020 | $ 13,644 |

(1) As part of the adoption of ASC 326, effective January 1, 2020, the Company recorded a gross up of the mortgage backed security and related allowance for credit losses of $13.6 million. This gross up had no effect on the Company's consolidated results of operations or financial position.

***Variable Interest Entities***

In accordance with accounting standards for consolidation of variable interest entities ("VIEs"), the Company consolidated the Operating Partnership, 17 DownREIT entities (comprising nine communities), and six co-investments as of both March 31, 2020 and December 31, 2019. The Company consolidates these entities because it is deemed the primary beneficiary. Essex has no assets or liabilities other than its investment in the Operating Partnership. The consolidated total assets and liabilities related to the above consolidated co-investments and DownREIT entities, net of intercompany eliminations, were approximately $1.1 billion and $348.9 million, respectively, as of March 31, 2020 and $1.0 billion and $364.3 million, respectively, as of December 31, 2019. Noncontrolling interests in these entities were $122.3 million and $122.5 million as of March 31, 2020 and December 31, 2019, respectively. The Company's financial risk in each VIE is limited to its equity investment in the VIE. As of March 31, 2020 and December 31, 2019, the Company did not have any VIEs of which it was not deemed to be the primary beneficiary.

***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 14, "Equity Based Compensation Plans," in the Company’s annual report on Form 10-K for the year ended December 31, 2019) are being amortized over the expected service periods.

***Fair Value of Financial Instruments***

Management believes that the carrying amounts of the outstanding balances under its lines of credit, and notes and other receivables approximate fair value as of March 31, 2020 and December 31, 2019, because interest rates, yields, and other terms for these instruments are consistent with interest rates, yields, and other terms currently available for similar instruments. Management has estimated that the fair value of the Company’s fixed rate debt with a carrying value of $5.5 billion and $5.2 billion at March 31, 2020 and December 31, 2019, respectively, was approximately $5.6 billion and $5.4 billion, respectively. Management has estimated that the fair value of the Company’s $955.3 million and $660.4 million of variable rate debt at March 31, 2020 and December 31, 2019, respectively, was approximately $949.2 million and $655.8 million, respectively, based on the terms of existing mortgage notes payable, unsecured debt, and variable rate demand notes compared to those available in the marketplace. Management believes that the carrying amounts of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, construction payables, other liabilities, and dividends payable approximate fair value as of March 31, 2020 and December 31, 2019 due to the short-term maturity of these instruments. Marketable securities, except mortgage backed securities, are carried at fair value as of March 31, 2020 and December 31, 2019.

At March 31, 2020, the Company’s investment in its mortgage backed security had a carrying value of $75.0 million and the Company estimated the fair value to be approximately $75.1 million. At December 31, 2019, the Company’s investment in its mortgage backed security had a carrying value of $72.7 million and the Company estimated the fair value to be approximately $72.7 million. The Company determines the fair value of the mortgage backed security based on unobservable inputs (level 3 of the fair value hierarchy) considering the assumptions that market participants would make in valuing this security. Assumptions such as estimated default rates and discount rates are used to determine the expected, discounted cash flows to estimate fair value.

***Capitalization of Costs***

The Company’s capitalized internal costs related to development and redevelopment projects were comprised primarily of interest and employee compensation and totaled $9.9 million and $10.7 million during the three months ended March 31, 2020 and 2019, respectively. The Company capitalizes leasing commissions associated with the lease-up of development

communities and amortizes the costs over the life of the leases. The amounts capitalized for leasing commissions are immaterial for all periods presented.

***Co-investments***

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

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

***Changes in Accumulated Other Comprehensive Loss, Net by Component***

*Essex Property Trust, Inc.*
($ in thousands):

| | Change in fair value and amortization of swap settlements | Unrealized gain/(loss) on available for sale securities | Total |
|---|---|---|---|
| Balance at December 31, 2019 | $ (13,989) | $ 101 | $ (13,888) |
| Other comprehensive loss before reclassification | (7,178) | (294) | (7,472) |
| Amounts reclassified from accumulated other comprehensive loss | (1,308) | — | (1,308) |
| Other comprehensive loss | (8,486) | (294) | (8,780) |
| Balance at March 31, 2020 | $ (22,475) | $ (193) | $ (22,668) |

***Changes in Accumulated Other Comprehensive Loss, by Component***

*Essex Portfolio, L.P.*
($ in thousands):

| | Change in fair value and amortization of swap settlements | Unrealized gain/(loss) on available for sale securities | Total |
|---|---|---|---|
| Balance at December 31, 2019 | $ (10,536) | $ 104 | $ (10,432) |
| Other comprehensive loss before reclassification | (7,429) | (305) | (7,734) |
| Amounts reclassified from accumulated other comprehensive loss | (1,353) | — | (1,353) |
| Other comprehensive loss | (8,782) | (305) | (9,087) |
| Balance at March 31, 2020 | $ (19,318) | $ (201) | $ (19,519) |

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

***Redeemable Noncontrolling Interest***

The carrying value of redeemable noncontrolling interest in the accompanying condensed consolidated balance sheets was $32.6 million and $37.4 million as of March 31, 2020 and December 31, 2019, respectively. The limited partners may redeem their noncontrolling interests for cash in certain circumstances.

The changes to the redemption value of redeemable noncontrolling interests for the three months ended March 31, 2020 is as follows ($ in thousands):

| | |
|---|---|
| Balance at December 31, 2019 | $ 37,410 |
| Reclassification due to change in redemption value and other | (4,767) |
| Redemptions | — |
| Balance at March 31, 2020 | $ 32,643 |

***Cash, Cash Equivalents and Restricted Cash***

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

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

| | March 31, 2020 | December 31, 2019 | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Cash and cash equivalents - unrestricted | $ 271,877 | $ 70,087 | $ 107,034 | $ 134,465 |
| Cash and cash equivalents - restricted | 10,470 | 11,007 | 17,092 | 16,930 |
| Total unrestricted and restricted cash and cash equivalents shown in the condensed consolidated statement of cash flows | $ 282,347 | $ 81,094 | $ 124,126 | $ 151,395 |

***Accounting Estimates***

The preparation of condensed consolidated financial statements, in accordance with U.S. GAAP, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate portfolio, its investments in and advances to joint ventures and affiliates, its notes receivables, and its qualification as a real estate investment trust ("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.

**(2) Significant Transactions During The Three Months Ended March 31, 2020 and Subsequent Events**

**Significant Transactions**

***Acquisitions***

In January 2020, the Company purchased Canada Pension Plan Investment Board's ("CPPIB") 45.0% interest in each of a land parcel and six communities totaling 2,020 apartment homes, valued at $1.0 billion on a gross basis. As a result of this acquisition, the Company realized a gain on remeasurement of co-investment of $234.7 million. Furthermore, the Company

recognized $6.5 million in promote income as a result of the transaction, which is included in equity income from co-investments on the condensed consolidated statements of income and comprehensive income.

***Co-Investments***

*Preferred Equity Investments*

In the first quarter of 2020, the Company originated two preferred equity investments totaling $91.4 million in two multifamily communities located in California. The investments have a weighted average initial return of 11.3% with most of the proceeds expected to fund in late 2020 and early 2021.

In March 2020, the Company received cash of $11.3 million, including an early redemption fee of $0.2 million, for the partial redemption of a preferred equity investment in a joint venture that holds property located in Los Angeles, CA.

***Notes Receivable***

In January 2020, the Company received cash of $16.9 million for the full redemption of a mezzanine loan in a property located in Anaheim, CA.

In January 2020, the Company received $85.8 million for the payoff of a related party bridge loan to Wesco V, LLC ("Wesco V"). See Note 6, Related Party Transactions, for additional details.

In March 2020, the Company committed to fund an investment in mezzanine loans totaling $15.0 million as part of the development of a multifamily community located in Los Angeles, CA. The investment has an initial 10.5% interest rate and maturity date of February 2023, with options to extend for up to two years. As of March 31, 2020, the Company had not funded this commitment.

***Common Stock***

During the three months ended March 31, 2020, the Company repurchased and retired 776,261 shares totaling $176.3 million, including commissions. As of March 31, 2020, the Company had $73.7 million of purchase authority remaining under its $250.0 million stock repurchase plan.

***Senior Unsecured Debt***

In February 2020, the Operating Partnership issued $500.0 million of senior unsecured notes due on March 15, 2032 with a coupon rate of 2.650% per annum (the "2032 Notes"), which are payable on March 15 and September 15 of each year, beginning on September 15, 2020. The 2032 Notes were offered to investors at a price of 99.628% of par value. The 2032 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are unconditionally guaranteed by Essex. The Company used the net proceeds of this offering to repay indebtedness under its unsecured lines of credit, which had been used to fund the buyout of CPPIB's 45.0% joint venture interests discussed above, as well as repay $100.3 million of secured debt during the quarter.

***Subsequent Events***

In April 2020, the Company obtained a $200.0 million unsecured term loan with a one-year maturity and two 12-month extension options, exercisable at the Company’s option. The unsecured term loan bears a variable interest rate of LIBOR plus 1.20% and the proceeds will be used to repay all remaining consolidated debt maturing in 2020, of which $169.6 million was prepaid in April 2020.

During and subsequent to the first quarter of 2020, the world is experiencing an unprecedented health pandemic related to a novel coronavirus, COVID-19, creating unprecedented and extraordinary global economic distress, uncertainty and volatility. The extent to which COVID-19 impacts the Company's business, operations and financial results cannot be predicted and will depend on numerous current and evolving factors that the Company is not able to predict or anticipate at this time.

## (3) Revenues

### Disaggregated Revenue

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Rental income | $ 383,498 | $ 347,805 |
| Other property | 6,252 | 6,083 |
| Management and other fees from affiliates | 2,617 | 2,335 |
| Total revenues | $ 392,367 | $ 356,223 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Southern California | $ 155,642 | $ 151,463 |
| Northern California | 164,079 | 136,745 |
| Seattle Metro | 63,844 | 60,413 |
| Other real estate assets [1] | 6,185 | 5,267 |
| Total rental and other property revenues | $ 389,750 | $ 353,888 |

[1] Other real estate assets consists of revenues generated from retail space, commercial properties, held for sale properties, and disposition properties.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Same-property [1] | $ 346,456 | $ 335,658 |
| Acquisitions [2] | 21,924 | 987 |
| Development [3] | 4,075 | 1,158 |
| Redevelopment | 5,401 | 5,229 |
| Non-residential/other, net [4] | 11,894 | 10,856 |
| Total rental and other property revenues | $ 389,750 | $ 353,888 |

[1] Properties that have comparable stabilized results as of January 1, 2019 and are consolidated by the Company for the three months ended March 31, 2020 and 2019. A community is generally considered to have reached stabilized operations once it achieves an initial occupancy of 90%.
[2] Acquisitions includes properties acquired which did not have comparable stabilized results as of January 1, 2019.
[3] Development includes properties developed which did not have stabilized results as of January 1, 2019.
[4] Non-residential/other, net consists of revenues generated from retail space, commercial properties, held for sale properties, disposition properties, student housing, properties undergoing significant construction activities that do not meet our redevelopment criteria, and three communities located in the California counties of Riverside, Santa Barbara, and Santa Cruz, which the Company does not consider its core markets.

**Deferred Revenues and Remaining Performance Obligations**

When cash payments are received or due in advance of the Company's performance of contracts with customers, deferred revenue is recorded. The total deferred revenue balance related to such contracts was $3.7 million and $3.9 million as of March 31, 2020 and December 31, 2019, respectively, and was included in accounts payable and accrued liabilities within the accompanying condensed consolidated balance sheets. The amount of revenue recognized for the three months ended March 31, 2020 that was included in the December 31, 2019 deferred revenue balance was $0.2 million, which was included in interest and other income (loss) within the condensed consolidated statements of income and comprehensive income.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the revenue recognition accounting standard. As of March 31, 2020, the Company had $3.7 million of remaining performance obligations. The Company expects to recognize approximately 15% of these remaining performance obligations in 2020, an additional 40% through 2022, and the remaining balance thereafter.

**(4) Co-investments**

The Company has joint ventures and preferred equity investments in co-investments which are accounted for under the equity method. The co-investments, including BEXAEW, BEX II, BEX III, and BEX IV, Wesco I, LLC ("Wesco I"), Wesco III, LLC ("Wesco III"), Wesco IV, LLC ("Wesco IV"), and Wesco V, own, operate, and develop apartment communities. The carrying values of the Company's co-investments as of March 31, 2020 and December 31, 2019 are as follows ($ in thousands, except parenthetical amounts):

| | Weighted Average Company Ownership Percentage [1] | 3/31/2020 | 12/31/2019 |
|---|---|---|---|
| Ownership interest in: | | | |
| CPPIB [2] | —% | $ — | $ 345,466 |
| Wesco I, Wesco III, Wesco IV, and Wesco V | 51% | 209,742 | 216,756 |
| BEXAEW, BEX II, BEX III, and BEX IV | 50% | 156,869 | 160,888 |
| Other | 48% | 21,023 | 20,351 |
| Total operating and other co-investments, net | | 387,634 | 743,461 |
| Total predevelopment and development co-investments | 50% | 158,145 | 146,944 |
| Total preferred interest co-investments (includes related party investments of $75.3 million and $73.2 million as of March 31, 2020 and December 31, 2019, respectively) | | 451,358 | 444,934 |
| Total co-investments, net | | $ 997,137 | $ 1,335,339 |

[1] Weighted average Company ownership percentages are as of March 31, 2020.
[2] In January 2020, the Company purchased CPPIB's 45.0% interest in each of a land parcel and six communities totaling 2,020 apartment homes.

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

| | 3/31/2020 | 12/31/2019 |
|---|---|---|
| Combined balance sheets: [1] | | |
| Rental properties and real estate under development | $ 4,287,101 | $ 4,733,762 |
| Other assets | 158,145 | 139,562 |
| Total assets | $ 4,445,246 | $ 4,873,324 |
| Debt | $ 2,522,407 | $ 2,442,213 |
| Other liabilities | 181,761 | 117,160 |
| Equity | 1,741,078 | 2,313,951 |
| Total liabilities and equity | $ 4,445,246 | $ 4,873,324 |
| Company's share of equity | $ 997,137 | $ 1,335,339 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Combined statements of income: [1] | | |
| Property revenues | $ 77,369 | $ 83,725 |
| Property operating expenses | (25,715) | (28,719) |
| Net operating income | 51,654 | 55,006 |
| Interest expense | (20,853) | (15,115) |
| General and administrative | (4,083) | (1,928) |
| Depreciation and amortization | (28,437) | (29,935) |
| Net income (loss) | $ (1,719) | $ 8,028 |
| Company's share of net income [2] | $ 21,297 | $ 16,276 |

[1] Includes preferred equity investments held by the Company.
[2] Includes the Company's share of equity income from joint ventures and preferred equity investments, gain on sales of co-investments, co-investment promote income and income from early redemption of preferred equity investments. Includes related party income of $2.1 million and $1.7 million for the three months ended March 31, 2020 and 2019, respectively.

**(5) Notes and Other Receivables**

Notes and other receivables consist of the following as of March 31, 2020 and December 31, 2019 ($ in thousands):

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Note receivable, secured, bearing interest at 9.00%, due May 2021 (Originated May 2017) [1] | $ — | $ 16,828 |
| Note receivable, secured, bearing interest at 9.90%, due November 2021 (Originated November 2018) | 13,168 | 12,838 |
| Related party note receivable, secured, bearing variable rate interest, due February 2020 (Originated November 2019) [2][3] | — | 85,713 |
| Notes and other receivables from affiliates [4] | 7,700 | 4,442 |
| Other receivables | 14,065 | 14,544 |
| Allowance for credit losses | (66) | — |
| Total notes and other receivables | $ 34,867 | $ 134,365 |

[1] In January 2020, the Company received cash of $16.9 million from the payoff of this note receivable.
[2] See Note 6, Related Party Transactions, for additional details.

(3) In January 2020, the Company received cash of $85.8 million from the payoff of this note receivable.
(4) These amounts consist of short-term loans outstanding and due from various joint ventures as of March 31, 2020 and December 31, 2019. See Note 6, Related Party Transactions, for additional details.

In the normal course of business, the Company originates and holds two types of loans: mezzanine loans issued to entities that are pursuing apartment development and short-term bridge loans issued to joint ventures with the Company.

The Company categorizes development project mezzanine loans into risk categories based on relevant information about the ability of the borrowers to service their debt, such as: current financial information, credit documentation, public information, and previous experience with the borrower. The Company initially analyzes each mezzanine loan individually to classify the credit risk of the loan. On a periodic basis the Company evaluates and performs site visits of the development projects associated with the mezzanine loans to confirm whether they are on budget and whether there are any delays in development that could impact the Company's assessment of credit loss.

All bridge loans that the Company issues are, by their nature, short-term and meant only to provide time for the Company's joint ventures to obtain long-term funding for newly acquired communities. As the Company is a partner in the joint ventures that are borrowing such funds and has performed a detailed review of each community as part of the acquisition process, there is little to no credit risk associated with such loans. As such, the Company does not review credit quality indicators for bridge loans on an ongoing basis.

The Company estimates the allowance for credit losses for each loan type using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made, if necessary, for differences in current loan-specific risk characteristics. For example, in the case of mezzanine loans, adjustments may be made due to differences in track record and experience of the mezzanine loan sponsor as well as the percent of equity that the sponsor has contributed to the project. The following table presents the activity in the allowance for credit losses for notes and other receivables by loan type ($ in thousands):

| | Mezzanine Loans | Bridge Loans | Total |
|---|---|---|---|
| Balance at December 31, 2019 | $ — | $ — | $ — |
| Impact of adoption ASC 326 | 147 | 43 | 190 |
| Provision for credit losses | (81) | (43) | (124) |
| Balance at March 31, 2020 | $ 66 | $ — | $ 66 |

No loans were placed on nonaccrual status or charged off during the three months ended March 31, 2020 or 2019.

**(6) Related Party Transactions**

The Company charges certain fees relating to its co-investments for asset management, property management, development and redevelopment services. These fees from affiliates totaled $3.1 million and $3.4 million during the three months ended March 31, 2020 and 2019, respectively. All of these fees are net of intercompany amounts eliminated by the Company. The Company netted development and redevelopment fees of $0.4 million and $1.1 million against general and administrative expenses for the three months ended March 31, 2020 and 2019, respectively.

The Company's Chairman and founder, Mr. George M. 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, a national brokerage firm listed on the New York Stock Exchange. For the three months ended March 31, 2020, the Company paid brokerage commissions totaling $0.2 million to MMC and its affiliates related to real estate transactions.

In November 2019, the Company provided an $85.5 million related party bridge loan to Wesco V in connection with the acquisition of Velo and Ray. The note receivable accrued interest at LIBOR plus 1.30% and was scheduled to mature in

February 2020, but was paid off in January 2020. The bridge loan was classified within notes and other receivables in the accompanying condensed consolidated balance sheets.

In August 2019, the Company provided an $89.0 million related party bridge loan to Wesco V in connection with the acquisition of The Courtyards at 65th Street. The note receivable accrued interest at LIBOR plus 1.30% and was paid off in November 2019.

In August 2019, the Company provided a $44.4 million related party bridge loan to BEX IV in connection with the acquisition of 777 Hamilton. The note receivable accrued interest at 3.25%. In November 2019, the term of the bridge loan was extended to February 2020, but was paid off in December 2019.

In June 2019, the Company acquired Brio, a 300 unit apartment home community located in Walnut Creek, CA. The Company issued DownREIT units to an affiliate of MMC, based on a contract price of $164.9 million. The property was encumbered by $98.7 million of mortgage debt which was assumed by the Company at the time of acquisition. As a result of this transaction, the Company consolidated the property, based on a VIE analysis performed by the Company.

In February 2019, the Company funded a $24.5 million preferred equity investment in an entity whose sponsor is an affiliate of MMC, which owns a multifamily development community located in Mountain View, CA. The investment has an initial preferred return of 11.0% and is scheduled to mature in February 2024.

In October 2018, the Company funded a $18.6 million preferred equity investment in an entity whose sponsor is an affiliate of MMC. The entity wholly owns a 268 apartment home community development located in Burlingame, CA. This investment accrues interest based on an initial 12.0% preferred return. The investment is scheduled to mature in April 2024.

In May 2018, the Company made a commitment to fund a $26.5 million preferred equity investment in an entity whose sponsors include an affiliate of MMC. The entity wholly owns a 400 apartment home community located in Ventura, CA. This investment accrues interest based on a 10.25% preferred return. The investment is scheduled to mature in May 2023. As of March 31, 2020, the Company had funded $22.9 million of the commitment. The remaining committed amount will be funded if and when requested by the sponsors.

In November 2016, the Company provided a $6.6 million mezzanine loan to a limited liability company in which MMC holds a significant ownership interest through subsidiaries. The mezzanine loan was classified within notes and other receivables in the accompanying condensed consolidated balance sheets and was paid off in October 2019.

In 2015, the Company made preferred equity investments totaling $20.0 million in three entities affiliated with MMC that own apartment communities in California. The Company earned a 9.5% preferred return on each such investment. One $5.0 million investment, which was scheduled to mature in 2022, was fully redeemed in 2017. Another $5.0 million investment, which was scheduled to mature in 2022, was fully redeemed in 2018. The remaining investment was fully redeemed in February 2019.

As described in Note 5, Notes and Other Receivables, the Company has provided short-term loans to affiliates. As of March 31, 2020 and December 31, 2019, $7.7 million and $4.4 million, respectively, of short-term loans remained outstanding due from joint venture affiliates and is classified within notes and other receivables in the accompanying condensed consolidated balance sheets.

**(7) Debt**

Essex does not have indebtedness as debt is incurred by the Operating Partnership. Essex guarantees the Operating Partnership’s unsecured debt including the revolving credit facilities for the full term of the facilities.

Debt consists of the following ($ in thousands):

| | March 31, 2020 | December 31, 2019 | Weighted Average Maturity In Years as of March 31, 2020 |
|---|---|---|---|
| Unsecured bonds private placement - fixed rate | $ 199,852 | $ 199,820 | 1.2 |
| Term loan - variable rate | 349,287 | 349,189 | 1.9 |
| Bonds public offering - fixed rate | 4,709,124 | 4,214,197 | 7.7 |
| Unsecured debt, net [1] | 5,258,263 | 4,763,206 | |
| Lines of credit [2] | 350,000 | 55,000 | |
| Mortgage notes payable, net [3] | 887,389 | 990,667 | 7.9 |
| Total debt, net | $ 6,495,652 | $ 5,808,873 | |
| Weighted average interest rate on fixed rate unsecured bonds private placement and bonds public offering | 3.7% | 3.8% | |
| Weighted average interest rate on variable rate term loan | 2.7% | 2.7% | |
| Weighted average interest rate on lines of credit | 2.4% | 2.5% | |
| Weighted average interest rate on mortgage notes payable | 4.1% | 4.1% | |

[1] Includes unamortized discount of $14.1 million and $12.2 million and unamortized debt issuance costs of $27.6 million and $24.5 million, as of March 31, 2020 and December 31, 2019, respectively.
[2] Lines of credit, related to the Company's two lines of unsecured credit aggregating $1.24 billion as of March 31, 2020, excludes unamortized debt issuance costs of $4.5 million and $3.8 million as of March 31, 2020 and December 31, 2019, respectively. These debt issuance costs are included in prepaid expenses and other assets on the condensed consolidated balance sheets. As of March 31, 2020, the Company’s $1.2 billion credit facility had an interest rate of LIBOR plus 0.825%, which is based on a tiered rate structure tied to the Company’s credit ratings and a scheduled maturity date of December 2023 with one 18-month extension, exercisable at the Company’s option. As of March 31, 2020, the Company’s $35.0 million working capital unsecured line of credit had an interest rate of LIBOR plus 0.825%, which is based on a tiered rate structure tied to the Company’s credit ratings, and a scheduled maturity date of February 2021.
[3] Includes total unamortized premium of $5.0 million and $5.9 million, reduced by unamortized debt issuance costs of $2.4 million and $2.6 million, as of March 31, 2020 and December 31, 2019, respectively.

The aggregate scheduled principal payments of the Company’s outstanding debt, excluding lines of credit, as of March 31, 2020 are as follows ($ in thousands):

| | |
|---|---|
| Remaining in 2020 | $ 185,493 |
| 2021 | 531,653 |
| 2022 | 693,188 |
| 2023 | 602,945 |
| 2024 | 403,109 |
| Thereafter | 3,768,383 |
| Total | $ 6,184,771 |

**(8) Segment Information**

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

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

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

The revenues and NOI for each of the reportable operating segments are summarized as follows for the three months ended March 31, 2020 and 2019 ($ in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Revenues: | | |
| Southern California | $ 155,642 | $ 151,463 |
| Northern California | 164,079 | 136,745 |
| Seattle Metro | 63,844 | 60,413 |
| Other real estate assets | 6,185 | 5,267 |
| Total property revenues | $ 389,750 | $ 353,888 |
| Net operating income: | | |
| Southern California | $ 111,097 | $ 107,996 |
| Northern California | 120,981 | 101,214 |
| Seattle Metro | 44,993 | 41,699 |
| Other real estate assets | 5,536 | 4,939 |
| Total net operating income | 282,607 | 255,848 |
| Management and other fees from affiliates | 2,617 | 2,335 |
| Corporate-level property management expenses | (8,759) | (8,429) |
| Depreciation and amortization | (131,559) | (120,568) |
| General and administrative | (13,982) | (13,459) |
| Expensed acquisition and investment related costs | (87) | (32) |
| Interest expense | (55,147) | (53,643) |
| Total return swap income | 1,984 | 2,045 |
| Interest and other income (loss) | (5,221) | 12,261 |
| Equity income from co-investments | 21,297 | 16,276 |
| Gain on early retirement of debt, net | 321 | 1,336 |
| Gain on remeasurement of co-investment | 234,694 | 31,535 |
| Net income | $ 328,765 | $ 125,505 |

Total assets for each of the reportable operating segments are summarized as follows as of March 31, 2020 and December 31, 2019 ($ in thousands):

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Assets: | | |
| Southern California | $ 4,198,656 | $ 4,233,110 |
| Northern California | 5,748,062 | 4,622,268 |
| Seattle Metro | 1,469,297 | 1,481,061 |
| Other real estate assets | 12,103 | 12,221 |
| Net reportable operating segment - real estate assets | 11,428,118 | 10,348,660 |
| Real estate under development | 435,865 | 546,075 |
| Co-investments | 997,137 | 1,335,339 |
| Cash and cash equivalents, including restricted cash | 282,347 | 81,094 |
| Marketable securities | 148,139 | 144,193 |
| Notes and other receivables | 34,867 | 134,365 |
| Operating lease right-of-use assets | 74,428 | 74,744 |
| Prepaid expenses and other assets | 49,940 | 40,935 |
| Total assets | $ 13,450,841 | $ 12,705,405 |

**(9) Net Income Per Common Share and Net Income Per Common Unit**

($ in thousands, except share and unit data):

*Essex Property Trust, Inc.*

| | Three Months Ended March 31, 2020 | | | Three Months Ended March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Income | Weighted-average Common Shares | Per Common Share Amount | Income | Weighted-average Common Shares | Per Common Share Amount |
| Basic: | | | | | | |
| Net income available to common stockholders | $ 315,006 | 66,043,831 | $ 4.77 | $ 118,858 | 65,702,788 | $ 1.81 |
| Effect of Dilutive Securities: | | | | | | |
| Stock options | — | 57,337 | | — | 81,081 | |
| DownREIT units | 196 | 94,247 | | — | — | |
| Diluted: | | | | | | |
| Net income available to common stockholders | $ 315,202 | 66,195,415 | $ 4.76 | $ 118,858 | 65,783,869 | $ 1.81 |

The table above excludes from the calculations of diluted earnings per share weighted average convertible OP Units of 2,300,181 and 2,305,064, which include vested Series Z-1 Incentive Units, 2014 Long-Term Incentive Plan Units, and 2015 Long-Term Incentive Plan Units for the three months ended March 31, 2020 and 2019, respectively, because they were anti-dilutive. The related income allocated to these convertible OP Units aggregated $11.0 million and $4.2 million for the three months ended March 31, 2020 and 2019, respectively. Additionally, the table excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

Stock options of 116,380 and 106,029 for the three months ended March 31, 2020 and 2019, respectively, were excluded from the calculation of diluted earnings per share because the assumed proceeds per share of such options plus the average unearned

compensation were greater than the average market price of the common stock for the periods ended and, therefore, were anti-dilutive.

*Essex Portfolio, L.P.*

| | Three Months Ended March 31, 2020 | | | Three Months Ended March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Income | Weighted-average Common Units | Per Common Unit Amount | Income | Weighted-average Common Units | Per Common Unit Amount |
| Basic: | | | | | | |
| Net income available to common unitholders | $ 325,992 | 68,344,012 | $ 4.77 | $ 123,029 | 68,007,852 | $ 1.81 |
| Effect of Dilutive Securities: | | | | | | |
| Stock options | — | 57,337 | | — | 81,081 | |
| DownREIT units | 196 | 94,247 | | — | — | |
| Diluted: | | | | | | |
| Net income available to common unitholders | $ 326,188 | 68,495,596 | $ 4.76 | $ 123,029 | 68,088,933 | $ 1.81 |

Stock options of 116,380 and 106,029 for the three months ended March 31, 2020 and 2019, respectively, were excluded from the calculation of diluted earnings per unit because the assumed proceeds per unit of these options plus the average unearned compensation were greater than the average market price of the common unit for the period ended and, therefore, were anti-dilutive. Additionally, the table excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

**(10) Derivative Instruments and Hedging Activities**

As of March 31, 2020, the Company had entered into interest rate swap contracts with an aggregate notional amount of $175.0 million that effectively fixed the interest rate on the $175.0 million unsecured term loan at 2.3%. These derivatives qualify for hedge accounting.

As of March 31, 2020 and December 31, 2019, the aggregate carrying value of the interest rate swap contracts was an asset of zero and $1.0 million, respectively, and is included in prepaid expenses and other assets on the condensed consolidated balance sheets, and a liability of $3.4 million and $0.2 million, respectively, and is included in other liabilities on the consolidated balance sheet.

Hedge ineffectiveness related to cash flow hedges, which is included in interest expense on the condensed consolidated statements of income and comprehensive income, was not significant for the three months ended March 31, 2020 and 2019.

Additionally, the Company has four total return swap contracts, with an aggregate notional amount of $255.3 million, that effectively convert $255.3 million of mortgage notes payable to a floating interest rate based on the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") plus a spread. The total return swaps provide fair market value protection on the mortgage notes payable to the counterparties during the initial period of the total return swap until the Company's option to call the mortgage notes at par can be exercised. The Company can currently call all of its total return swaps, with $255.3 million of the outstanding debt at par. These derivatives do not qualify for hedge accounting and had a carrying and fair value of zero at both March 31, 2020 and December 31, 2019. These total return swaps are scheduled to mature between September 2021 and November 2022. The realized gains of $2.0 million and $2.0 million for the three months ended March 31, 2020 and 2019, respectively, were reported in the condensed consolidated statements of income and comprehensive income as total return swap income.

**(11) Commitments and Contingencies**

The Company is subject to various lawsuits in the normal course of its business operations. Such lawsuits have not had a material adverse effect on the Company's financial condition, results of operations or cash flows. While no assurances can be given, the Company does not believe there is any pending or threatened litigation against the Company that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the Company.

The Company is subject to various federal, state, and local environmental and other laws. Compliance by the Company with existing laws has not had a material adverse effect on the Company. However, the Company cannot predict the impact of new or changed laws or regulations on its current portfolio or on other assets that the Company may acquire in the future, including, without limitation, certain eviction moratoriums and other mandates that have been, or may be, taken in connection with the COVID-19 pandemic. To the extent that an environmental or other matter arises or is identified in the future that has other than a remote risk of having a material impact on the condensed consolidated financial statements, the Company will disclose the estimated range of possible outcomes associated with it, and, if an outcome is probable, accrue an appropriate liability for that matter. The Company will consider whether any such matter results in an impairment of value on the affected property and, if so, impairment will be recognized.

**Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with the Company's Condensed Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with the Company's 2019 annual report on Form 10-K for the year ended December 31, 2019. Capitalized terms not defined in this section have the meaning ascribed to them elsewhere in this Quarterly Report on Form 10-Q. The Company makes statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Form 10-Q entitled "Forward-Looking Statements."*

Essex is a self-administered and self-managed REIT that acquires, develops, redevelops, and manages apartment communities in selected residential areas located on the West Coast of the United States. Essex owns all of its interests in its real estate investments, directly or indirectly through the Operating Partnership. Essex is the sole general partner of the Operating Partnership and, as of March 31, 2020, had an approximately 96.6% general partnership interest in the Operating Partnership.

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

As of March 31, 2020, the Company owned or had ownership interests in 250 operating apartment communities, comprising 60,770 apartment homes, excluding the Company's ownership interest in preferred equity co-investments, loan investments, one operating commercial building, and a development pipeline comprised of four consolidated projects and two unconsolidated joint venture projects.

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

**Southern California** (primarily Los Angeles, Orange, San Diego, and Ventura counties)
**Northern California** (the San Francisco Bay Area)
**Seattle Metro** (Seattle metropolitan area)

As of March 31, 2020, the Company's development pipeline was comprised of four consolidated projects under development, two unconsolidated joint venture projects under development, and various predevelopment projects aggregating 1,761 apartment homes, with total incurred costs of $963.0 million, and estimated remaining project costs of approximately $168.0 million, $151.0 million of which represents the Company's share of estimated remaining costs, for total estimated project costs of $1.1 billion.

The Company's consolidated apartment communities are as follows:

| | As of March 31, 2020 | | As of March 31, 2019 | |
|---|---|---|---|---|
| | Apartment Homes | % | Apartment Homes | % |
| Southern California | 22,675 | 43% | 22,674 | 46% |
| Northern California | 19,748 | 37% | 16,449 | 33% |
| Seattle Metro | 10,343 | 20% | 10,238 | 21% |
| Total | 52,766 | 100% | 49,361 | 100% |

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

**Current Material Development – the COVID-19 Pandemic**

The United States and other countries around the world are experiencing an unprecedented health pandemic related to COVID-19, which has created considerable instability, disruption, and uncertainty. Governmental authorities in impacted regions are taking increasingly dramatic action in an effort to slow COVID-19's spread. Federal, state and local jurisdictions have issued varying forms of "Shelter-in-Place" orders, halted public gatherings and restricted business functions outside of one's home to only those that are considered "essential", resulting in extraordinary job losses and related financial impacts that will affect future operations to an unknown extent. Moreover, eviction moratoriums have been enacted in various formats at

various levels of government, including regions in which Essex's communities are located, impacting Essex properties. The Company is working to comply with the stated intent of local, county, state and federal laws. In that regard, the Company has implemented a wide range of practices to protect and support its employees and residents. Such measures include closing the Company's corporate offices and instituting “work from home” measures for corporate associates, closing leasing offices to non-Essex personnel and reducing on-site staff to essential functions so that hygiene and “social distancing” standards can be effectively managed and applied. The Company has transitioned most interactions with leasing staff to on-line and telephonic communications. In addition, common areas and community amenities, such as gyms and pools, have been temporarily closed and community sanitation and cleaning practices have increased. Response to maintenance work orders are limited mostly to emergencies only. Due to the COVID-19 pandemic, the Company's residents, their health, their employment, and, thus, their ability to pay rent, may be impacted. To support residents, as of March 23, 2020, the Company announced that it will, among other things:

- halt evictions for 90 days for residents who have been financially impacted by the COVID-19 pandemic, such as job loss, reduction of work hours, business closure, furlough or layoff;
- avoid rent increases for 90 days by offering lease renewals with no rent increase; and
- create payment plans for residents who are unable to pay their rent as a result of the outbreak and waive late fees for those residents.

The impact of the COVID-19 pandemic on the U.S. and world economies generally, and on the Company's future results in particular, could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted. This includes new information which may emerge concerning the severity of COVID-19, the success of actions taken to contain or treat COVID-19, future laws that may be enacted, the impact on job growth and the broader economy, and reactions by consumers, companies, governmental entities and capital markets.

As a result of the impact of the COVID-19 pandemic, the Company's average financial occupancy for the Company’s stabilized apartment communities or "Same-Property" (stabilized properties consolidated by the Company for the quarters ended March 31, 2020 and 2019) portfolio decreased from 96.7% for April 2019 to 95.4% for April 2020. Furthermore, cash delinquencies as a percentage of scheduled rental income for the Company's Same-Property portfolio increased from 0.4% for April 2019 to 5.0% for April 2020. The Company is currently in the process of creating payment plans related to such April 2020 cash delinquencies. As part of this process, the Company will assess a collectability reserve attributable to those deferred payments which is expected to partially mitigate the April 2020 delinquencies.

**Comparison of the Three Months Ended March 31, 2020 to the Three Months Ended March 31, 2019**

The Company’s average financial occupancy for the Company’s Same-Property portfolio was 96.8% and 96.9% for the three months ended March 31, 2020 and 2019, respectively. Financial occupancy is defined as the percentage resulting from dividing actual rental income by total scheduled rental income. Actual rental income represents contractual rental income pursuant to leases without considering delinquency and concessions. Total scheduled rental income represents the value of all apartment homes, with occupied apartment homes valued at contractual rental rates pursuant to leases and vacant apartment homes valued at estimated market rents. The Company believes that financial occupancy is a meaningful measure of occupancy because it considers the value of each vacant apartment home at its estimated market rate.

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

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

The regional breakdown of the Company's Same-Property portfolio for financial occupancy for the three months ended March 31, 2020 and 2019 is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Southern California | 96.6% | 96.8% |
| Northern California | 96.9% | 97.1% |
| Seattle Metro | 96.9% | 96.9% |

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

| Property Revenues ($ in thousands) | Number of Apartment Homes | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 | Dollar Change | Percentage Change |
|---|---|---|---|---|---|
| Same-Property Revenues: | | | | | |
| Southern California | 21,354 | $ 147,521 | $ 143,584 | $ 3,937 | 2.7% |
| Northern California | 15,755 | 135,704 | 131,661 | 4,043 | 3.1% |
| Seattle Metro | 10,238 | 63,231 | 60,413 | 2,818 | 4.7% |
| Total Same-Property Revenues | 47,347 | 346,456 | 335,658 | 10,798 | 3.2% |
| Non-Same Property Revenues | | 43,294 | 18,230 | 25,064 | 137.5% |
| Total Property Revenues | | $ 389,750 | $ 353,888 | $ 35,862 | 10.1% |

*Same-Property Revenues* increased by $10.8 million or 3.2% to $346.5 million in the first quarter of 2020 from $335.7 million in the first quarter of 2019. The increase was primarily attributable to an increase of 3.1% in average rental rates from $2,288 per apartment home in the first quarter of 2019 to $2,360 per apartment home in the first quarter of 2020.

*Non-Same Property Revenues* increased by $25.1 million or 137.5% to $43.3 million in the first quarter of 2020 from $18.2 million in the first quarter of 2019. The increase was primarily due to revenues generated from the six communities that were consolidated as part of the Company's purchase of CPPIB's 45.0% co-investment interests in the first quarter of 2020.

*Management and other fees from affiliates* increased by $0.3 million or 13.0% to $2.6 million in the first quarter of 2020 compared to $2.3 million in the first quarter of 2019. The increase was primarily due to the addition of The Courtyards at 65th Street, 777 Hamilton, and Velo and Ray communities to the Company's joint venture portfolio in 2019, offset slightly by the disposition of Mosso joint venture community in the fourth quarter of 2019, and by the consolidation of six communities as part of the Company's purchase of CPPIB's 45.0% co-investment interests.

*Property operating expenses, excluding real estate taxes* increased $5.5 million or 9.4% to $64.1 million for the first quarter of 2020 compared to $58.6 million for the first quarter of 2019 primarily due to an increase of $2.2 million in maintenance and repairs expenses, an increase of $1.7 million in utilities expenses, and an increase of $1.6 million in administrative expenses. Same-Property operating expenses, excluding real estate taxes, increased by $1.3 million or 2.3% to $57.7 million in the first quarter of 2020 compared to $56.4 million in the first quarter of 2019, primarily due to an increase of $0.7 million in maintenance and repairs expenses and an increase of $0.3 million in utilities expenses.

*Real estate taxes* increased $3.6 million or 9.1% to $43.0 million for the first quarter of 2020 compared to $39.4 million for the first quarter of 2019, primarily due to the additions of six communities that were consolidated in the first quarter of 2020 as part of the Company's purchase of CPPIB's 45.0% co-investment interests. Same-Property real estate taxes remained relatively flat at $37.0 million in the first quarter of 2020 compared to the first quarter of 2019.

*Corporate-level property management expenses* increased $0.4 million or 4.8% to $8.8 million in the first quarter of 2020 compared to $8.4 million in the first quarter of 2019, primarily due to an increase in corporate-level property management and staffing costs supporting the communities.

*Depreciation and amortization expense* increased by $11.0 million or 9.1% to $131.6 million for the first quarter of 2020 compared to $120.6 million for the first quarter of 2019, primarily due to the additions of six communities that were consolidated in the first quarter of 2020 as part of the Company's purchase of CPPIB's 45.0% co-investment interests.

*Interest expense* increased by $1.5 million or 2.8% to $55.1 million for the first quarter of 2020 compared to $53.6 million for the first quarter of 2019, primarily due to an increase in average outstanding debt primarily as a result of the issuance of $500.0 million of senior unsecured notes due March 1, 2029 in February and March 2019, $550.0 million of senior unsecured notes due January 15, 2030 in August and October 2019, and $500 million of senior unsecured notes due March 15, 2032 in February 2020, which resulted in an increase of $11.0 million interest expense for the first quarter of 2020. Additionally, there was a $1.1 million decrease in capitalized interest in the first quarter of 2020, due to a decrease in development activity as compared to the same period in 2019. These increases to interest expense were partially offset by debt that was paid off or matured, as well as regular principal amortization during and after the first quarter of 2019, which resulted in a decrease in interest expense of $10.6 million for the first quarter of 2019.

*Total return swap income* of $2.0 million in the first quarter of 2020 consists of monthly settlements related to the Company's total return swap contracts that were entered into during 2015 in connection with issuing fixed rate tax-exempt mortgage notes.

*Interest and other income (loss)* decreased by $17.5 million or 142.3% to $5.2 million in loss for the first quarter of 2020 compared to $12.3 million in income for the first quarter of 2019, primarily due to a decrease from unrealized gains (losses) on marketable securities of $13.2 million and a decrease of $4.1 million in marketable securities and other income.

*Equity income from co-investments* increased by $5.0 million or 30.7% to $21.3 million for the first quarter of 2020 compared to $16.3 million for the first quarter of 2019, primarily due to an increase of $5.6 million in promote income, and an increase of $1.6 million in income from preferred equity investments. The increase was partially offset by a $1.9 million decrease in equity income from co-investments.

*Gain on early retirement of debt, net* of $0.3 million for the first quarter of 2020 was primarily due to early repayment of $100.3 million secured mortgage notes payable in the first quarter of 2020.

*Gain on remeasurement of co-investment* of $234.7 million in the first quarter of 2020 resulted from the Company's purchase of CPPIB's 45.0% co-investment interests.

**Liquidity and Capital Resources**

The United States and other countries around the world are experiencing an unprecedented health pandemic related to COVID-19, which has created considerable instability and disruption in the U.S. and world economies. Governmental authorities in affected regions are taking increasingly dramatic action in an effort to slow down the spread of the disease.

As of March 31, 2020, the Company had $271.9 million of unrestricted cash and cash equivalents and $148.1 million in marketable securities, of which $73.1 million were equity securities or available for sale debt securities. The Company believes that cash flows generated by its operations, existing cash and cash equivalents, marketable securities balances, availability under existing lines of credit, access to capital markets and the ability to generate cash from the disposition of real estate are sufficient to meet all of its reasonably anticipated cash needs during the next twelve months. Due to the COVID-19 pandemic and related economic disruptions, the Company anticipates that it may be required to augment decreased cash flows from operations with its cash reserves, lines of credit, or decreased investment in redevelopment activities and it expects to carefully monitor and manage its cash position in light of ongoing conditions and levels of operations. The timing, source and amounts of cash flows provided by financing activities and used in investing activities are sensitive to changes in interest rates and other fluctuations in the capital markets environment, which can affect the Company's plans for acquisitions, dispositions, development and redevelopment activities.

As of March 31, 2020, Fitch Ratings, Moody’s Investor Service, and Standard and Poor's credit agencies rated the Company and the Operating Partnership, BBB+/Stable, Baa1/Stable, and BBB+/Stable, respectively.

As of March 31, 2020, the Company had two unsecured lines of credit aggregating $1.24 billion. As of March 31, 2020, there was $350.0 million outstanding on the Company's $1.2 billion unsecured line of credit. The underlying interest rate is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.825% as of March 31, 2020. This facility is scheduled to mature in December 2023, with one 18-month extension, exercisable at the Company's option. As of March 31, 2020, there was no amount outstanding on the Company's $35.0 million working capital unsecured line of credit. The underlying interest rate on the $35.0 million line is based on a tiered rate structure tied to the Company's credit ratings and was LIBOR plus 0.825% as of March 31, 2020. This facility is scheduled to mature in February 2021.

In February 2020, the Company issued $500.0 million of senior unsecured notes due on March 15, 2032, with a coupon rate of 2.650% (the "2032 Notes"), which are payable on March 15 and September 15 of each year, beginning on September 15, 2020.

The 2032 Notes were offered to investors at a price of 99.628% of par value. The 2032 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are unconditionally guaranteed by Essex. The Company used the net proceeds of this offering to repay indebtedness under its unsecured lines of credit, which had been used to fund the buyout of CPPIB's 45.0% joint venture interests, as well as repay $100.3 million of secured debt during the quarter.

In September 2018, the Company entered into an equity distribution agreement pursuant to which the Company may offer and sell shares of its common stock having an aggregate gross sales price of up to $900.0 million (the "2018 ATM Program"). In connection with the 2018 ATM Program, the Company may also enter into related forward sale agreements whereby, at the Company's discretion, it may sell shares of its common stock under the 2018 ATM Program under forward sales agreements. The use of a forward sales agreement would allow the Company to lock in a share price on the sale of shares of its common stock at the time the agreement is executed, but defer receiving the proceeds from the sale of shares until a later date. During the three months ended March 31, 2020, the Company did not issue any shares of common stock through the 2018 ATM Program. As of March 31, 2020, there are no outstanding forward purchase agreements, and $826.6 million of shares remain available to be sold under this program.

In December 2015, the Company's board of directors authorized a stock repurchase plan to allow the Company to acquire shares in an aggregate of up to $250.0 million. In February 2019, the board of directors approved the replenishment of the stock repurchase plan such that, as of such date, the Company had $250.0 million of purchase authority remaining under the stock repurchase plan. During the three months ended March 31, 2020, the Company repurchased and retired 776,261 shares of its common stock totaling $176.3 million, including commissions, at an average price of $227.13 per share. As of March 31, 2020, the Company had $73.7 million of purchase authority remaining under the stock repurchase plan.

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

*Development and Predevelopment Pipeline*

The Company defines development projects as new communities that are being constructed, or are newly constructed and are in a phase of lease-up and have not yet reached stabilized operations. As of March 31, 2020, the Company's development pipeline was comprised of four consolidated projects under development, two unconsolidated joint venture projects under development and various consolidated predevelopment projects, aggregating 1,761 apartment homes, with total incurred costs of $963.0 million, and estimated remaining project costs of approximately $168.0 million, $151.0 million of which represents the Company's share of estimated remaining costs, for total estimated project costs of $1.1 billion.

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

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

*Redevelopment Pipeline*

The Company defines redevelopment communities as existing properties owned or recently acquired, which have been targeted for additional investment by the Company with the expectation of increased financial returns through property improvement. During redevelopment, apartment homes may not be available for rent and, as a result, may have less than stabilized operations. As of March 31, 2020, the Company had ownership interests in four major redevelopment communities aggregating 1,327 apartment homes with estimated redevelopment costs of $132.7 million, of which approximately $11.8 million remains to be expended. The Company has the ability to cease funding of the redevelopment pipeline as needed.

*Derivative Activity*

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

return swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

**Alternative Capital Sources**

The Company utilizes co-investments as an alternative source of capital for acquisitions of both operating and development communities. As of March 31, 2020, the Company had an interest in 806 apartment homes in communities actively under development with joint ventures for total estimated costs of $0.6 billion. Total estimated remaining costs are approximately $35.0 million, of which the Company estimates its remaining investment in these development joint ventures will be approximately $17.5 million. In addition, the Company had an interest in 8,652 apartment homes of operating communities with joint ventures for a total book value of $387.6 million as of March 31, 2020.

**Off-Balance Sheet Arrangements**

The Company has various unconsolidated interests in certain joint ventures. The Company does not believe that these unconsolidated investments have a materially different impact on its liquidity, cash flows, capital resources, credit or market risk than its consolidated operations. See Note 4, Co-investments, in the Notes to Condensed Consolidated Financial Statements for carrying values and combined summarized financial information of these unconsolidated investments.

**Critical Accounting Policies and Estimates**

The preparation of condensed consolidated financial statements, in accordance with U.S. GAAP, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The Company defines critical accounting policies as those accounting policies that require the Company's management to exercise their most difficult, subjective and complex judgments. The Company's critical accounting policies and estimates relate principally to the following key areas: (i) accounting for the acquisition of investments in real estate (specifically, the allocation between land and buildings); and (ii) evaluation of events and changes in circumstances indicating whether the Company's rental properties may be impaired. The Company bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates made by management.

The Company's critical accounting policies and estimates have not changed materially from the information reported in Note 2, Summary of Critical and Significant Accounting Policies, in the Company's annual report on Form 10-K for the year ended December 31, 2019.

**Forward-Looking Statements**

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this quarterly report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act, including statements regarding the Company's expectations, estimates, assumptions, hopes, intentions, beliefs and strategies regarding the future. Words such as "expects," "assumes," "anticipates," "may," "will," "intends," "plans," "projects," "believes," "seeks," "future," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, among other things, statements regarding the Company's expectations related to the impact of the COVID-19 pandemic on the Company's business, financial condition and results of operations and the impact of any measures taken to mitigate the impact of the pandemic, the Company's intent, beliefs or expectations with respect to the timing of completion of current development and redevelopment projects and the stabilization of such projects, the timing of lease-up and occupancy of its apartment communities, the anticipated operating performance of its apartment communities, the total projected costs of development and redevelopment projects, co-investment activities, qualification as a REIT under the Internal Revenue Code of 1986, as amended, the real estate markets in the geographies in which the Company's properties are located and in the United States in general, the adequacy of future cash flows to meet anticipated cash needs, its financing activities and the use of proceeds from such activities, the availability of debt and equity financing, general economic conditions including the potential impacts from such economic conditions, including as a result of the COVID-19 pandemic, trends affecting the Company's financial condition or results of operations, changes to U.S. tax laws and regulations in general or specifically related to REITs or real estate, changes to laws and

regulations in jurisdictions in which communities the Company owns are located, and other information that is not historical information.

While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control, which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect the Company's current expectations of the approximate outcomes of the matters discussed. Factors that might cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following: the impact of the COVID-19 pandemic, which remains inherently uncertain as the situation is unprecedented and continuously evolving, and other potential future outbreaks of infectious diseases or other health concerns, and measures taken to limit their impact, could adversely affect the Company's business and its tenants, and cause a significant downturn in general economic conditions, the real estate industry, and the markets in which the Company's communities are located; the Company may fail to achieve its business objectives; the actual completion of development and redevelopment projects may be subject to delays; the stabilization dates of such projects may be delayed; the Company may abandon or defer development or redevelopment projects for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses; the total projected costs of current development and redevelopment projects may exceed expectations; such development and redevelopment projects may not be completed; development and redevelopment projects and acquisitions may fail to meet expectations; estimates of future income from an acquired property may prove to be inaccurate; occupancy rates and rental demand may be adversely affected by competition and local economic and market conditions; there may be increased interest rates and operating costs; the Company may be unsuccessful in the management of its relationships with its co-investment partners; future cash flows may be inadequate to meet operating requirements and/or may be insufficient to provide for dividend payments in accordance with REIT requirements; changes in laws or regulations; the terms of any refinancing may not be as favorable as the terms of existing indebtedness; unexpected difficulties in leasing of development projects; volatility in financial and securities markets; the Company's failure to successfully operate acquired properties; unforeseen consequences from cyber-intrusion; the Company's inability to maintain our investment grade credit rating with the rating agencies; government approvals, actions and initiatives, including the need for compliance with environmental requirements; and those further risks, special considerations, and other factors referred to in this quarterly report on Form 10-Q, in the Company's annual report on Form 10-K for the year ended December 31, 2019, and those risk factors and special considerations set forth in the Company's other filings with the Securities and Exchange Commission (the "SEC") which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Additionally, the risks, uncertainties and other factors set forth above or otherwise referred to in the reports that the Company has filed with the SEC may be further amplified by the global impact of the COVID-19 pandemic. All forward-looking statements are made as of the date hereof, the Company assumes no obligation to update or supplement this information for any reason, and therefore, they may not represent the Company's estimates and assumptions after the date of this report.

**Funds from Operations Attributable to Common Stockholders and Unitholders**

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

FFO and Core FFO are not meant to represent a comprehensive system of financial reporting and do not present, nor do they intend to present, a complete picture of the Company's financial condition and operating performance. The Company believes that net income computed under U.S. GAAP is the primary measure of performance and that FFO and Core FFO are only meaningful when they are used in conjunction with net income.

The Company considers FFO and Core FFO to be useful financial performance measurements of an equity REIT because, together with net income and cash flows, FFO and Core FFO provide investors with additional bases to evaluate operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and to pay dividends. By excluding gains or losses related to sales of depreciated operating properties and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and

useful life estimates), FFO can help investors compare the operating performance of a real estate company between periods or as compared to different companies. By further adjusting for items that are not considered part of the Company's core business operations, Core FFO allows investors to compare the core operating performance of the Company to its performance in prior reporting periods and to the operating performance of other real estate companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company's actual operating results. The Company believes that its consolidated financial statements, prepared in accordance with U.S. GAAP, provide the most meaningful picture of its financial condition and its operating performance.

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

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

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

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

The following table is a reconciliation of net income available to common stockholders to FFO and Core FFO for the three months ended March 31, 2020 and 2019 (in thousands, except share and per share amounts):

*Essex Property Trust, Inc.*

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Net income available to common stockholders | $ 315,006 | $ 118,858 |
| Adjustments: | | |
| Depreciation and amortization | 131,559 | 120,568 |
| Gains not included in FFO attributable to common stockholders and unitholders | (234,694) | (31,535) |
| Depreciation and amortization from unconsolidated co-investments | 12,544 | 15,190 |
| Noncontrolling interest related to Operating Partnership units | 10,986 | 4,171 |
| Depreciation attributable to third party ownership and other | (134) | (230) |
| Funds from operations attributable to common stockholders and unitholders | $ 235,267 | $ 227,022 |
| Funds from operations attributable to common stockholders and unitholders per share - diluted | $ 3.44 | $ 3.34 |
| Non-core items: | | |
| Expensed acquisition and investment related costs | 87 | 32 |
| Loss on sale of marketable securities | 13 | 58 |
| Unrealized (gains) losses on marketable securities | 8,696 | (4,510) |
| Provision for credit losses | (50) | — |
| Equity (income) loss from non-core co-investment [1] | 110 | (314) |
| Interest rate hedge ineffectiveness [2] | — | 181 |
| Gain on early retirement of debt, net | (321) | (1,336) |
| Co-investment promote income | (6,455) | (809) |
| Income from early redemption of preferred equity investments | (210) | (100) |
| General and administrative and other, net | 820 | — |
| Insurance reimbursements, legal settlements, and other, net | 43 | (210) |
| Core Funds from Operations attributable to common stockholders and unitholders | $ 238,000 | $ 220,014 |
| Core Funds from Operations attributable to common stockholders and unitholders per share-diluted | $ 3.48 | $ 3.23 |
| Weighted average number shares outstanding, diluted [3] | 68,359,698 | 68,048,908 |

[1] Represents the Company's share of co-investment income from Real Estate Technology Ventures, L.P.
[2] On January 1, 2019, the Company adopted ASU No. 2017-12 "Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities," which resulted in a cumulative effect adjustment of approximately $181,000 from interest expense to accumulated other comprehensive income. As a result of the adoption of this standard, the Company recognizes
qualifying hedge ineffectiveness through accumulated other comprehensive income as opposed to current earnings.
[3] Assumes conversion of all outstanding Operating Partnership limited partnership units ("OP Units") into shares of the Company's common stock and excludes all DownREIT units for which the Operating Partnership has the ability and intention to redeem the units for cash and does not consider them to be common stock equivalents.

**Net Operating Income**

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Earnings from operations | $ 130,837 | $ 115,695 |
| Adjustments: | | |
| Corporate-level property management expenses | 8,759 | 8,429 |
| Depreciation and amortization | 131,559 | 120,568 |
| Management and other fees from affiliates | (2,617) | (2,335) |
| General and administrative | 13,982 | 13,459 |
| Expensed acquisition and investment related costs | 87 | 32 |
| NOI | 282,607 | 255,848 |
| Less: Non-Same Property NOI | (30,842) | (13,638) |
| Same-Property NOI | $ 251,765 | $ 242,210 |

**Item 3: Quantitative and Qualitative Disclosures About Market Risks**

***Interest Rate Hedging Activities***

The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company uses interest rate swaps as part of its cash flow hedging strategy. As of March 31, 2020, the Company has entered into five interest rate swap contracts to mitigate the risk of changes in the interest-related cash outflows on $175.0 million of the Company's unsecured term debt. As of March 31, 2020, the Company also had $255.3 million of secured variable rate indebtedness. All of the Company's interest rate swaps are designated as cash flow hedges as of March 31, 2020. The following table summarizes the notional amount, carrying value, and estimated fair value of the Company's cash flow hedge derivative instruments used to hedge interest rates as of March 31, 2020. The notional amount represents the aggregate amount of a particular security that is currently hedged at one time, but does not represent exposure to credit, interest rates or market risks. The table also includes a sensitivity analysis to demonstrate the impact on the Company's derivative instruments from an increase or decrease in 10-year Treasury bill interest rates by 50 basis points, as of March 31, 2020.

| ($ in thousands) | Notional Amount | Maturity Date Range | Carrying and Estimated Fair Value | Estimated Carrying Value +50 Basis Points | Estimated Carrying Value -50 Basis Points |
|---|---|---|---|---|---|
| Cash flow hedges: | | | | | |
| Interest rate swaps | $ 175,000 | 2022 | $ (3,449) | $ (1,842) | $ (5,095) |
| Total cash flow hedges | $ 175,000 | 2022 | $ (3,449) | $ (1,842) | $ (5,095) |

Additionally, the Company has entered into total return swap contracts, with an aggregate notional amount of $255.3 million that effectively convert $255.3 million of fixed mortgage notes payable to a floating interest rate based on the SIFMA plus a

spread and have a carrying value of zero at March 31, 2020. The Company is exposed to insignificant interest rate risk on these swaps as the related mortgages are callable, at par, by the Company, co-terminus with the termination of any related swap. These derivatives do not qualify for hedge accounting.

***Interest Rate Sensitive Liabilities***

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

The Company's interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts and weighted average interest rates by year of expected maturity to evaluate the expected cash flows.

| For the Years Ended | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total | Fair value |
|---|---|---|---|---|---|---|---|---|
| ($ in thousands, except for interest rates) | | | | | | | | |
| Fixed rate debt | $ 184,999 | 530,940 | 342,408 | 602,093 | 402,177 | 3,516,884 | $ 5,579,501 | $ 5,622,711 |
| Average interest rate | 6.4% | 4.3% | 3.6% | 3.7% | 4.0% | 3.5% | 3.8% | |
| Variable rate debt [(1)] | $ 494 | 713 | 350,780 | 350,852 | 932 | 251,499 | $ 955,270 | $ 949,218 |
| Average interest rate | 2.8% | 2.8% | 2.7% | 2.4% | 2.8% | 2.6% | 2.6% | |

[(1)] $175.0 million is subject to interest rate protection agreements ($255.3 million is subject to total return swaps).

The table incorporates only those exposures that exist as of March 31, 2020. It does not consider those exposures or positions that could arise after that date. As a result, the Company's ultimate realized gain or loss, with respect to interest rate fluctuations and hedging strategies would depend on the exposures that arise prior to settlement.

**Item 4: Controls and Procedures**

***Essex Property Trust, Inc.***

As of March 31, 2020, Essex carried out an evaluation, under the supervision and with the participation of management, including Essex's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Essex's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, Essex's Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2020, Essex's disclosure controls and procedures were effective to ensure that the information required to be disclosed by Essex in the reports that Essex files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that Essex files or submits under the Exchange Act is accumulated and communicated to Essex's management, including Essex's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in Essex's internal control over financial reporting, that occurred during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, Essex's internal control over financial reporting.

***Essex Portfolio, L.P.***

As of March 31, 2020, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including Essex's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2020, the Operating Partnership's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Operating Partnership in the reports that the Operating Partnership files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports that the Operating Partnership files or submits under the Exchange Act is accumulated and communicated to the Operating Partnership's management, including Essex's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in the Operating Partnership's internal control over financial reporting, that occurred during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

**Part II -- Other Information**

**Item 1: Legal Proceedings**

The Company is subject to various lawsuits in the normal course of its business operations. While the resolution of any such matter cannot be predicted with certainty, the Company is not currently a party to any legal proceedings nor is any legal proceeding currently threatened against the Company that the Company believes, individually or in the aggregate, would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

**Item 1A: Risk Factors**

In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors discussed in "Part I. Item A. Risk Factors" in the Company's annual report on Form 10-K for the year ended December 31, 2019, which could materially affect the Company's financial condition, results of operations or cash flows. Except as set forth below, there have been no material changes to the Risk Factors disclosed in Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2019, as filed with the SEC and available at www.sec.gov. The risks described in the Company's annual report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known or that the Company currently deems to be immaterial may also materially adversely affect the Company's financial condition, results of operations or cash flows.

***The current COVID-19 pandemic, or the future outbreak of other highly infectious or contagious diseases, could materially and adversely affect our business, financial condition and results of operations.***

The outbreak of COVID-19, which has rapidly spread to a growing number of countries, including the United States and the specific regions in which our apartment communities are located, has created considerable instability and disruption in the U.S. and world economies. Considerable uncertainty still surrounds COVID-19 and its potential effects, and the extent of and effectiveness of any responses taken on a national and local level. However, measures taken to limit the impact of COVID-19, including "social distancing" and other restrictions on travel, congregation and business operations have already resulted in significant negative economic impacts. The long-term impact of COVID-19 on the U.S. and world economies remains uncertain, but is likely to result in a world-wide economic downturn, the duration and scope of which cannot currently be predicted. The extent to which the Company's financial condition or operating results will continue to be affected by the COVID-19 pandemic will largely depend on future developments, which are highly uncertain and cannot be accurately predicted.

The Company's operating results depend, in large part, on revenues derived from leasing space in our apartment communities to residential tenants and the ability of tenants to generate sufficient income to pay their rents in a timely manner. The market and economic challenges created by the COVID-19 pandemic, and measures implemented to prevent its spread, have, and may continue to, adversely affect our returns and profitability. As a result, our ability to make distributions to Essex's stockholders and the Operating Partnership's unitholders may be compromised and we could experience volatility with respect to the market value of our properties and common stock and Operating Partnership units. The spread of COVID-19 could result in further increases in unemployment, and tenants that experience deteriorating financial conditions as a result of the pandemic may be unwilling or unable to pay rent on a timely basis, or at all. In some cases, we may be legally required to or otherwise agree to

restructure tenants' rent obligations, and may not be able to do so on terms as favorable to us as those currently in place. Numerous state, local, federal and industry-initiated efforts may also affect our ability to collect rent or enforce remedies for the failure to pay rent, including, among others, limitations or prohibitions on evicting tenants unwilling or unable to pay rent. Additionally, eviction moratoriums have passed in various formats at every level of government, with considerable differences between county and state orders, as well as between individual county orders and how cities are interpreting and enforcing them. This patchwork of conflicting standards may continue to create a great deal of confusion and challenges with compliance. While the Company intends to comply with the framework of local, county, state and federal laws, given the confusion, strict compliance might be difficult. In the event of tenant nonpayment, default or bankruptcy, we may incur costs in protecting our investment and re-leasing our property, and have limited ability to renew existing leases or sign new leases at projected rents.

Our properties may also incur significant costs or losses related to legislative mandates, including shelter-in-place orders, quarantines, infection or other related factors, which may result in a negative impact on our occupancy levels. We typically conduct aspects of our leasing activity on-site at our apartment communities. Reductions in the ability and willingness of prospective residents to visit our communities due to the COVID-19 pandemic could reduce rental revenue and ancillary operating revenue produced by our properties. Additionally, if there is an outbreak that directly impacts one or more of our apartment communities, we may experience negative publicity and/or an unwillingness of prospective residents to visit or ultimately choose to live in our communities, which could directly affect our rental revenue. In addition, we may incur costs associated with protecting our employees and residents and disinfecting our properties. To the extent our management or personnel are impacted in significant numbers by the COVID-19 pandemic and are not available or allowed to conduct work, our business and operating results may be negatively impacted.

Additionally, market fluctuations as a result of the COVID-19 pandemic may affect our ability to obtain necessary funds for our operations from current lenders or new borrowings. We may be unable to obtain financing for the acquisition of investments on satisfactory terms, or at all. In addition, moratoriums on construction and macro-economic factors may cause construction contractors to be unable to perform, which may cause the delivery date of certain development projects or investments in third-party development projects to be extended. Market fluctuations and construction delays experienced by the Company's third-party mezzanine loan borrowers and preferred equity investment sponsors may also negatively impact their ability to repay the Company. Further, while the Company carries general liability, pollution, and property insurance along with other insurance policies that may provide some coverage for any losses or costs incurred in connection with the COVID-19 pandemic, given the novelty of the issue and the scale of losses incurred throughout the world, there is no guarantee that we will be able to recover all or any portion of our losses and costs under these policies. The occurrence of any of the foregoing events or any other related matters could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The global impact of the COVID-19 pandemic continues to evolve rapidly, and the extent of its effect on our operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, and the direct and indirect economic effects of the pandemic and related containment measures, among others. However, the COVID-19 pandemic presents material uncertainty and risk with respect to our business, financial condition and results of operations. Moreover, to the extent any of these risks and uncertainties adversely impact us in the ways described above or otherwise, they may also have the effect of heightening many of the other risks set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. In addition, if in the future there is an outbreak of another highly infectious or contagious disease or other health concern, the Company and our properties may be subject to similar risks as posed by COVID-19.

**Item 2: Unregistered Sales of Equity Securities and Use of Proceeds**

***Unregistered Sales of Equity Securities; Essex Portfolio, L.P.***

During the three months ended March 31, 2020, the Operating Partnership issued OP Units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the three months ended March 31, 2020, Essex issued an aggregate of 96,662 shares of its common stock upon the exercise of stock options, the vesting of restricted stock awards, and the exchange of OP Units and DownREIT units by limited partners or members into shares of common stock. Essex contributed the net proceeds of $14.3 million from the option exercises during the three months ended March 31, 2020 to the Operating Partnership in exchange for an aggregate of 65,802 OP Units, as required by the Operating Partnership's partnership agreement. Furthermore, for each share of common stock issued by Essex in connection with vesting of restricted stock awards and the exchange of OP Units and DownREIT units, the

Operating Partnership issued OP Units to Essex, as required by the partnership agreement. During the three months ended March 31, 2020, 30,860 OP Units were issued to Essex pursuant to this mechanism.

***Stock Repurchases***

In February 2019, the board of directors approved the replenishment of the Company's stock repurchase plan such that, as of such date, the Company had $250.0 million of purchase authority remaining under the replenished plan. During the three months ended March 31, 2020 the Company repurchased and retired 776,261 shares of its common stock totaling $176.3 million, including commissions, at an average price of $227.13 per share. As of March 31, 2020, the Company had $73.7 million of purchase authority remaining under the stock repurchase plan.

**Item 3: Defaults Upon Senior Securities**

None.

**Item 4: Mine Safety Disclosures**

Not applicable.

**Item 5: Other Information**

None.

**Item 6: Exhibits**

*A. Exhibits*

| | |
|---|---|
| 4.1 | Indenture, dated February 11, 2020, among Essex Portfolio, L.P., Essex Property Trust, Inc., and U.S. Bank National Association, as trustee, including the form of 2.650% Senior Notes due 2032 and the guarantee thereof, attached as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed February 11, 2020, and incorporated herein by reference. |
| 10.1* | Deferred Compensation Plan for Non-Employee Directors.† |
| 31.1* | Certification of Michael J. Schall, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Angela L. Kleiman, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.3* | Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.4* | Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Michael J. Schall, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 32.2* | Certification of Angela L. Kleiman, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 32.3* | Certification of Michael J. Schall, Principal Executive Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 32.4* | Certification of Angela L. Kleiman, Principal Financial Officer of General Partner, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 101.INS | XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |

† Management contract or compensatory plan or arrangement.

* Filed or furnished herewith.

** In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

**ESSEX PROPERTY TRUST, INC.**
*(Registrant)*

Date: May 7, 2020

By: /s/ ANGELA L. KLEIMAN

Angela L. Kleiman
*Executive Vice President, Chief Financial Officer*
*(Authorized Officer, Principal Financial Officer)*

Date: May 7, 2020

By: /s/ JOHN FARIAS

John Farias
*Senior Vice President, Chief Accounting Officer*

**ESSEX PORTFOLIO, L.P.**
By Essex Property Trust, Inc., its general partner
*(Registrant)*

Date: May 7, 2020

By: /s/ ANGELA L. KLEIMAN

Angela L. Kleiman
*Executive Vice President, Chief Financial Officer*
*(Authorized Officer, Principal Financial Officer)*

Date: May 7, 2020

By: /s/ JOHN FARIAS

John Farias
*Senior Vice President, Chief Accounting Officer*

**Exhibit 10.1**

# ESSEX PROPERTY TRUST, INC.

# DEFERRED COMPENSATION PLAN

# FOR NON-EMPLOYEE DIRECTORS

# EFFECTIVE March 19, 2020

# TABLE OF CONTENTS


| | | Page |
|---|---|---|
| 1. | Purpose; Effective Date | 1 |
| 2. | Eligibility | 1 |
| 3. | Deferral Elections | 1 |
| 4. | Accounts | 2 |
| 5. | Payment of Benefits | 3 |
| 6. | Administration | 4 |
| 7. | Amendment and Termination of Plan | 5 |
| 8. | Miscellaneous | 5 |

# ESSEX PROPERTY TRUST, INC.

## DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

1. Purpose; Effective Date. The Board of Directors (the "Board") of Essex Property Trust, Inc. a Maryland corporation (the "Company"), adopted this Deferred Compensation Plan for Non-Employee Directors (the "Plan") for the purpose of providing an unfunded nonqualified deferred compensation plan for non-employee directors of the Company. The Plan is effective as of **March 19, 2020**, although initial deferral elections may be submitted at any time before such date.

2. Eligibility. The persons eligible to defer compensation under the Plan shall consist solely of non-employee directors of the Company ("Directors").

3. Deferral Elections. A Director may elect to defer compensation under the Plan by submitting a "Participation Agreement" to the Company on a form specified by the Company no later than the applicable deferral deadline. Any Director who has submitted a Participation Agreement is hereafter referred to as a "Participant." A Participation Agreement submitted by a Participant shall automatically continue from calendar year to calendar year and shall be irrevocable with respect to compensation once the deferral deadline for that compensation has passed, but the Participant may modify or terminate a Participation Agreement for compensation earned in any year by submitting a revised Participation Agreement or otherwise giving written notice to the Company at any time on or prior to the deferral deadline for that compensation.

(a) Elections by Continuing Directors

(i) Fees. A Director may elect to defer receipt of all or any portion of the annual retainer, meeting fees and any other fees payable for service as a Director ("Fees"). Except as provided below in Section 3(b), the deferral deadline for an election to defer Fees for services performed in any calendar year shall be the last day of the prior calendar year.

(ii) Restricted Stock. Any Director having elected to defer the receipt of any Fees which would otherwise be payable in the form of common stock, $0.0001 par value per share, of the Company ("Common Stock") subject to restrictions on transfer and risks of forfeiture pursuant to prior determinations of the Board shall be deemed by reason of such election, and without need of any further action, to have agreed to forego the issuance of such restricted stock in consideration of the Company's agreement, here evidenced, to credit such restricted stock in the form of DSU Shares (as defined in Section 4(b)) to the Director's Account under the Plan pursuant to Section 4(b) as, when, and if such restricted stock would otherwise have been granted to the Director.

(b) New Directors. A person who first becomes a Director during a calendar year (or any Director who becomes newly eligible to participate in the Plan) may elect to defer any of the types of compensation referred to in Section 3(a) above that is payable solely for services performed during the remainder of the calendar year after submission of his or her Participation Agreement, subject to all of the provisions of Section 3(a), except that the election shall be made no later than thirty (30) days after the date on which the person becomes newly eligible to participate in the Plan.

4. Accounts.

(a) Accounts. The Company shall establish on its books one or two separate accounts (individually, an "Account" and collectively, the "Accounts") for each Participant: an Account that is the "Stock Account", which shall be denominated in shares of Common Stock, including fractional shares, and another Account which is the "Cash Account", which shall be denominated in U.S. dollars.

(b) Allocation of Deferrals Among Accounts; Transfers Among Accounts. Shares credited in lieu of the issuance of restricted stock in payment of Fees ("DSU Shares") shall be credited to the Stock Account. All other Fees deferred by a Director shall be credited to the Director's Cash Account. The credit for Fees shall be entered on the Company's books of account at the time that Fees would otherwise be paid to Directors who do not elect to defer the payment of such Fees. The credit for DSU Shares shall be entered on the Company's books of account at the time that the applicable restricted stock would otherwise have been granted to the Director who has elected to defer the receipt of such stock. Amounts initially credited to either of a Participant's Accounts (i.e., Cash or Stock) may not be later transferred to the other of the Participant's Accounts, except as otherwise permitted under Section 4(g)(iv).

(c) Valuation of Stock; Dividend Credits. With respect to each amount of Fees deferred to a Director's Stock Account, the Stock Account shall be credited with a number of shares equal to the deferred Fees divided by the closing market price of the Common Stock on the day the deferred Fees would have been paid if not for the deferral. As of each date for payment of dividends on the Common Stock, each Participant's Cash Account shall be credited with the total amount of dividends that would have been paid on the number of shares recorded as the balance of that Participant's Stock Account as of the record date for such dividend.

(d) Vesting of DSU Shares. DSU Shares credited to a Director's Stock Account shall remain subject to forfeiture in accordance with the terms and conditions applicable to the restricted stock for which such DSU Shares were credited in lieu of grant. Notwithstanding any provision of the Plan to the contrary, no Participant or other person shall have any right or claim under the Plan in respect of DSU Shares credited to the Participant's Stock Account but forfeited in accordance with the terms and conditions of said restricted stock.

(e) Cash Account Earnings. Gain or loss, and earnings and expense, shall be credited to or debited against each Participant's Cash Account based on the performance and return of such publicly available regulated investment company shares as the Participant may select from time to time from among those identified by the Company from time to time for use in measuring its obligations under this Plan, if any. Any such selection shall be made, and changed if desired, in accordance with procedures established by the Company. Following the death of the Participant, his or her beneficiary or beneficiaries shall have the right and responsibility to determine which such shares shall be used. For any period the Company does not elect to identify any such shares for this purpose, interest shall be credited to the Cash Account of each Participant as of the last day of each calendar quarter. The rate of interest to be applied at the end of each calendar quarter shall be the average interest rate paid by the Company on borrowings under the Company's senior revolving credit agreement (or if there are no borrowings in a quarter, at the prime rate) plus 2%. Interest shall be calculated for each calendar

quarter based upon the average daily balance of the Participant's Cash Account during the quarter.

(f) Statement of Account. At the end of each calendar quarter, a report shall be issued by the Company to each Participant setting forth the balances of the Participant's Accounts under the Plan.

5. Payment of Benefits.

(a) Plan Benefits. The Company shall pay Plan benefits to each Participant equal to the Participant's Accounts (subject to the vesting conditions applicable to any DSU Shares). Each Director, upon his or her initial election to defer Fees, shall specify the term of benefit payments with respect to amounts deferred under the Participation Agreement. Except as otherwise provided in this Section 5, such elections shall be irrevocable and no Participant may at any time have compensation deferred under the Plan payable under more than one payment election.

(b) Commencement of Payments. Benefits shall commence in January of the year following the year in which the Participant's service as a Director of the Company ceases.

(c) Term of Payments. Participants may elect in their Participation Agreements to have benefits from their Accounts paid in (i) between 2 to 15 annual installments or (ii) a single lump sum payment. If no election is made, then the Participant shall be paid benefits in a single lump sum payment.

(d) Form of Payments. Benefits payable to a Participant from a Stock Account shall be paid as a distribution of Common Stock (and issued under the Company's 2018 Stock Award and Incentive Compensation Plan or successor plan) plus cash for fractional shares. Benefits payable to a Participant from a Cash Account shall be paid in cash.

(e) Payment Timing and Valuation. All lump sum payments or installment payments due under the Plan in any year shall be paid on the first business day in January determined by the Company. All payments shall be based on Account balances as of the close of business on the last trading day of the immediately preceding year. Each installment payment to a Participant shall be paid in the same proportion from each of the Accounts of the Participant subject to the applicable payment election. The amount of each installment payment from each Account shall be determined by dividing the Account balance by the number of remaining installments, including the current installment to be paid.

(f) Modification of Payment Elections. After a Participant's election under Section 5(c) regarding the term of any benefit payments has otherwise become irrevocable, the Participant may elect to change such term of payments as to all amounts otherwise due him or her provided (1) no such change shall be effective until at least 12 months after the date on which the election is made, (2) the change elections must be made at least 12 months before the originally scheduled payment date, and (3) the change election must include an election to defer commencement of payment of benefits for a period of not less than five (5) years from the year in which payment of such benefits would otherwise have commenced.

(g) Designation of Beneficiaries; Death.

(i) Each Participant shall have the right, at any time, to designate any person or persons as the Participant's beneficiary or beneficiaries (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of the Participant's death prior to complete distribution of the benefits due under the Plan. Each beneficiary designation shall be in written form prescribed by the Company and will be effective only if filed with the Company during the Participant's lifetime. Such designation may be changed by the Participant at any time without the consent of a beneficiary. If no designated beneficiary survives the Participant, the balance of the Participant's benefits shall be paid to the Participant's surviving spouse or, if no spouse survives, to the Participant's estate.

(ii) Upon the death of a Participant, any benefits payable to a beneficiary shall be paid in a single lump sum payment in January of the year following death.

(h) Unforeseeable Emergency. Notwithstanding the foregoing provisions of this Section 5, an accelerated payment from a Participant's Accounts may be made to the Participant in the sole discretion of the Committee based upon a finding that the Participant has suffered an Unforeseeable Emergency. For this purpose, "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant or the Participant's spouse, beneficiary, or dependent (as defined in Section 152 of the Internal Revenue Code of 1986, as amended (the "Code"), without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant all within the meaning of Code Section 409A. An Unforeseeable Emergency shall be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. The Committee shall be entitled to rely on the truthfulness of facts and representations set forth by the Participant in this request without the need for independent certification. The amount of any accelerated payment under this Section 5(h) shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency, which includes the amount reasonably necessary to cover income and withholding taxes on the accelerated payment. Any such accelerated payment shall be paid as promptly as practicable following approval by the Committee and shall be paid pro-rata from the Participant's Accounts based on the Account balances as of the close of business on the day prior to the payment date.

(i) Withholding Payroll Taxes. The Company shall withhold from payments made hereunder any taxes required to be withheld from such payments under federal, state or local law.

6. Administration.

(a) Committee Duties. This Plan shall be administered by the Compensation Committee of the Board (the "Committee"). The Committee shall have responsibility for the

general administration of the Plan and for carrying out its intent and provisions. The Committee shall interpret the Plan and have such powers and duties as may be necessary to discharge its responsibilities. The Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

(b) Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan and shall receive maximum deference to the fullest extent allowed by applicable law.

7. Amendment and Termination of the Plan.

(a) Amendment. The Board may at any time amend the Plan in whole or in part; provided, however, that no amendment shall affect the terms of any previously deferred amounts or the terms of any irrevocable Participation Agreement of any Participant.

(b) Termination. The Board may at any time partially or completely terminate the Plan.

(i) Partial Termination. The Board may partially terminate the Plan by instructing the Committee not to accept any additional Participation Agreements and terminating all existing Participation Agreements to the extent such Participation Agreements have not yet become irrevocable. In the event of such a partial termination, the Plan shall continue to operate and be effective with regard to all compensation deferred prior to the effective date of such partial termination.

(ii) Complete Termination. The Board may completely terminate the Plan. However, the Board may not partially or completely terminate the Plan in any manner that would cause the Plan to fail to comply with the requirements of Code Section 409A. Any distribution on account of Plan termination that permits acceleration of payment shall be consistent with Final Treasury Regulation Section 1.409A-3(j)(4)(ix) or successor guidance thereto.

8. Miscellaneous.

(a) Unsecured General Creditor. The Accounts shall be established solely for the purpose of measuring the amounts owed to a Participants or beneficiaries under the Plan. Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims or interests in any mutual fund shares, other investment products or the proceeds therefrom owned or which may be acquired by the Company. Except as may be provided in Section 8(b), any such mutual fund shares, other investment products or other assets of the Company shall not be held under any trust for the benefit of the Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general, unpledged, unrestricted assets of the Company. The

Company's obligation under the Plan shall be that of an unfunded and unsecured promise to pay money in the future, and the rights of Participants and beneficiaries shall be no greater than those of unsecured general creditors of the Company.

(b) Trust Fund. The Company shall be responsible for the payment of all benefits provided under the Plan. The Company may establish one or more trusts, with such trustees as the Board may approve, for the purpose of providing for the payment of such benefits, but the Company shall have no obligation to contribute to such trusts except as specifically provided in the applicable trust documents. Such trust or trusts shall be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company.

(c) Non-assignability. Neither a Participant nor any other person shall have the right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be non-assignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

(d) Governing Law. The provisions of this Plan shall be construed and interpreted according to the laws of the State of California, except to the extent preempted by the Employee Retirement Income Security Act of 1974.

(e) Validity. In case any provision of this Plan shall beheld illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

(f) Notice. Any notice or filing required or permitted to be given to the Company or the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Secretary of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

(g) Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity. For avoidance of doubt, with respect to any such corporate transaction and/or “Change in Control Event” (as defined by Code Section 409A), subject to Section 7(b), the Plan and the rights and obligations set forth in the Plan shall remain in effect as is after the consummation of any such transaction.

(h) Code Section 409A. Each Participant understands and agrees that each Participant will be entirely responsible for any and all taxes on any benefits payable to a Participant as a result of the Plan. The Plan is intended to be compliant with the provisions of Code Section 409A and shall be interpreted in accordance with such intention. The Company may adopt such conforming amendments as the Company deems advisable or necessary (but without an obligation to do so), in its sole discretion, to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. Each payment made pursuant to any provision of the Plan shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. In addition, if upon a Participant's Separation from Service (as defined under Code Section 409A), he/she is then a Specified Employee (as defined under Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such Separation from Service until the earlier of (i) the first business day of the seventh month following the Participant's Separation from Service or (ii) within thirty (30) days after the Company receives written confirmation of the Participant's death. While it is intended that all payments and benefits provided under the Plan will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the Plan, Plan Agreements and any payments under the Plan are exempt from or compliant with Code Section 409A. The Company will have no liability to any Participant or any other party if a payment or benefit under the Plan is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or for any damages for failing to comply with Code Section 409A or have any obligation to provide gross-up compensation to any Participant in connection with any Code Section 409A additional taxes, interest or penalties that are imposed on a Participant.

(i) Claims Procedures. If any Participant (Claimant) believes that benefits are being denied improperly, that the Plan is not being operated properly, that any person has breached his, her, or its duties under the Plan, or that the Claimant's legal rights are being violated with respect to the Plan, the Claimant must file a formal claim with the Committee. This requirement applies to all claims that any Claimant has with respect to the Plan, except to the extent the Committee determines, in its sole discretion, that it does not have the power to grant all relief reasonably being sought by the Claimant. A formal claim must be filed within 90 days after the date the Claimant first knew or should have known of the facts on which the claim is based, unless the Committee in writing consents otherwise. The Committee shall provide a Claimant, on request, with a copy of the claims procedures established as follows. If and when needed, or before then, the Committee shall adopt procedures for considering claims, which it may amend from time to time, as it sees fit. These procedures shall comply with all applicable legal requirements. These procedures may provide that final and binding arbitration will be the ultimate means of contesting a denied claim (even if the Committee or its delegates have failed to follow the prescribed procedures with respect to the claim). The right to receive benefits under this Plan is contingent on a Claimant using the prescribed claims and arbitration procedures to resolve any claim. Therefore, if a Claimant (or his or her successor or assign) seeks to resolve any claim by any means other than the prescribed claims and arbitration provisions, he or she

must repay all benefits received under this Plan and will not be entitled to any further Plan benefits.

* * *

The foregoing Plan is adopted effective March 19, 2020.

By: /s/ Anne Morrison

Name: Anne Morrison

Title: Secretary and General Counsel

Date: March 19, 2020

**Exhibit 31.1**

**ESSEX PROPERTY TRUST, INC.**
**Certification of Chief Executive Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael J. Schall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essex Property Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Michael J. Schall

Michael J. Schall
Chief Executive Officer and President
Essex Property Trust, Inc.

**Exhibit 31.2**

**ESSEX PROPERTY TRUST, INC.**
**Certification of Chief Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Angela L. Kleiman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essex Property Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Angela L. Kleiman

Angela L. Kleiman
Executive Vice President, Chief Financial Officer
Essex Property Trust, Inc.

**Exhibit 31.3**

**ESSEX PORTFOLIO, L.P.**
**Certification of Chief Executive Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael J. Schall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essex Portfolio, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Michael J. Schall

Michael J. Schall
Chief Executive Officer and President
Essex Property Trust, Inc., general partner of
Essex Portfolio, L.P.

**Exhibit 31.4**

**ESSEX PORTFOLIO, L.P.**
**Certification of Chief Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Angela L. Kleiman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essex Portfolio, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Angela L. Kleiman

Angela L. Kleiman
Executive Vice President, Chief Financial Officer
Essex Property Trust, Inc., general partner of
Essex Portfolio, L.P.

**Exhibit 32.1**

**ESSEX PROPERTY TRUST, INC.**
**Certification of Chief Executive Officer**
**Pursuant to 18 U.S.C. Section 1350 as adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), I, Michael J. Schall, hereby certify, to the best of my knowledge, that the Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Form 10-Q") of Essex Property Trust, Inc. fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Essex Property Trust, Inc.

Date: May 7, 2020

/s/ Michael J. Schall

Michael J. Schall
Chief Executive Officer and President
Essex Property Trust, Inc.

**Exhibit 32.2**

**ESSEX PROPERTY TRUST, INC.**
**Certification of Chief Financial Officer**
**Pursuant to 18 U.S.C. Section 1350 as adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), I, Angela L. Kleiman, hereby certify, to the best of my knowledge, that the Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Form 10-Q") of Essex Property Trust, Inc. fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Essex Property Trust, Inc.

Date: May 7, 2020

/s/ Angela L. Kleiman

Angela L. Kleiman
Executive Vice President and Chief Financial Officer
Essex Property Trust, Inc.

**Exhibit 32.3**

**ESSEX PORTFOLIO, L.P.**
**Certification of Chief Executive Officer**
**Pursuant to 18 U.S.C. Section 1350 as adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), I, Michael J. Schall, hereby certify, to the best of my knowledge, that the Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Form 10-Q") of Essex Portfolio, L.P. fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Essex Portfolio, L.P.

Date: May 7, 2020

/s/ Michael J. Schall

Michael J. Schall
Chief Executive Officer and President
Essex Property Trust, Inc., general partner of
Essex Portfolio, L.P.

**Exhibit 32.4**

**ESSEX PORTFOLIO, L.P.**
**Certification of Chief Financial Officer**
**Pursuant to 18 U.S.C. Section 1350 as adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), I, Angela L. Kleiman, hereby certify, to the best of my knowledge, that the Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Form 10-Q") of Essex Portfolio, L.P. fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Essex Portfolio, L.P.

Date: May 7, 2020

/s/ Angela L. Kleiman

Angela L. Kleiman
Executive Vice President, Chief Financial Officer
Essex Property Trust, Inc., general partner of
Essex Portfolio, L.P.