

# ESSEX

PROPERTY TRUST, INC.

## SECOND QUARTER 2016

EARNINGS RELEASE & SUPPLEMENTAL FINANCIAL INFORMATION



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### EPIC

769 UNITS  
SAN JOSE, CA

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# ESSEX

PROPERTY TRUST, INC.

## ESSEX ANNOUNCES SECOND QUARTER 2016 RESULTS

San Mateo, California—July 28, 2016—Essex Property Trust, Inc. (NYSE:ESS) announced today its second quarter 2016 earnings results and related business activities.

Net Income and Funds from Operations (“FFO”) per diluted share for the quarter ended June 30, 2016 are detailed below. Core FFO excludes acquisition and investment related costs and certain non-routine items.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
<u>Per Diluted Share</u>						
Net Income	<b>\$1.10</b>	\$0.70	57.1%	<b>\$2.29</b>	\$1.62	41.4%
Total FFO	<b>\$2.81</b>	\$2.38	18.1%	<b>\$5.45</b>	\$4.66	17.0%
Core FFO	<b>\$2.74</b>	\$2.40	14.2%	<b>\$5.42</b>	\$4.69	15.6%

### Second Quarter Highlights:

- Net Income per diluted share for the second quarter of 2016 was \$1.10 compared to \$0.70 in the second quarter of 2015. The increase is primarily due to gains on property sales and lower depreciation and amortization expense in the second quarter of 2016.
- Grew Core FFO per diluted share by 14.2% compared to Q2 2015, which exceeded the high-end of the Company’s guidance range.
- Achieved same-property gross revenues and net operating income (“NOI”) growth of 6.9% and 8.2%, respectively, compared to Q2 2015.
- Realized a sequential quarterly increase in same-property revenue growth of 1.8%.
- Provided Core FFO guidance range for the third quarter of 2016 of \$2.73 to \$2.79 per diluted share.
- Increased the full-year Core FFO guidance range to \$10.90 to \$11.06 per diluted share, increasing the midpoint by \$0.06 per share.
- Tightened the range of same-property revenue growth to 6.8% at the midpoint, a 20 basis point reduction from prior guidance. Reaffirmed prior expense growth guidance at the midpoint.

“We are pleased to report Core FFO per diluted share growth of 14.2% in the quarter, which exceeded the high-end of our guidance range, and we are increasing our 2016 Core FFO guidance by \$0.06 per share at the midpoint. We succeeded in driving bottom line results through strong performance in our Seattle, Los Angeles and San Diego portfolios, offsetting lower-than-expected revenue growth concentrated mostly in the San Jose and San Francisco metro areas, mostly due to heightened levels of apartment deliveries in 2016. Looking forward, we expect superior job growth, particularly in regions driven by innovation and technology, and lower apartment deliveries in most of our markets will allow Essex to continue producing sector-leading bottom line results,” commented Michael Schall, President and CEO of the Company.

#### SAME-PROPERTY OPERATIONS

Same-property operating results exclude any properties that are not comparable for the periods presented. The table below illustrates the percentage change in same-property gross revenues for the quarter ended June 30, 2016 compared to the quarter ended June 30, 2015, and the sequential percentage change for the quarter ended June 30, 2016 versus the quarter ended March 31, 2016 by submarket for the Company:

	<b>Q2 2016 vs. Q2 2015</b>	<b>Q2 2016 vs. Q1 2016</b>	<b>% of Total Q2 2016 Revenues</b>
<b>Southern California</b>			
Los Angeles County	6.3%	0.9%	17.5%
Orange County	5.1%	1.5%	12.3%
San Diego County	7.4%	2.1%	9.3%
Ventura County	5.8%	1.3%	5.1%
Other Southern California	6.9%	-0.2%	1.0%
<b>Total Southern California</b>	<b>6.1%</b>	<b>1.3%</b>	<b>45.2%</b>
<b>Northern California</b>			
Santa Clara County	7.5%	1.9%	16.5%
Alameda County	8.6%	2.3%	7.4%
San Mateo County	7.1%	1.4%	4.4%
Contra Costa County	7.8%	2.0%	5.4%
San Francisco MSA	4.0%	1.4%	2.0%
Other Northern California	12.7%	1.4%	0.3%
<b>Total Northern California</b>	<b>7.6%</b>	<b>1.9%</b>	<b>36.0%</b>
<b>Seattle Metro</b>	<b>7.5%</b>	<b>2.9%</b>	<b>18.8%</b>
<b>Same-Property Portfolio</b>	<b>6.9%</b>	<b>1.8%</b>	<b>100%</b>

	<b>Year-Over-Year Growth</b>		
	<b>Q2 2016 compared to Q2 2015</b>		
	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>NOI</b>
Southern California	6.1%	2.7%	7.8%
Northern California	7.6%	2.9%	9.4%
Seattle Metro	7.5%	9.0%	6.8%
<b>Same-Property Portfolio</b>	<b>6.9%</b>	<b>4.0%</b>	<b>8.2%</b>

<b>Sequential Growth</b>			
<b>Q2 2016 compared to Q1 2016</b>			
	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>NOI</b>
Southern California	1.3%	0.9%	1.6%
Northern California	1.9%	-1.1%	3.0%
Seattle Metro	2.9%	7.4%	0.8%
<b>Same-Property Portfolio</b>	<b>1.8%</b>	<b>1.5%</b>	<b>2.0%</b>

<b>Financial Occupancies</b>			
<b>Quarter Ended</b>			
	<b>6/30/2016</b>	<b>3/31/2016</b>	<b>6/30/2015</b>
Southern California	96.0%	96.0%	95.8%
Northern California	96.2%	96.1%	96.3%
Seattle Metro	95.9%	95.8%	96.1%
<b>Same-Property Portfolio</b>	<b>96.0%</b>	<b>96.0%</b>	<b>96.0%</b>

#### **DISPOSITIONS**

In April, the Company sold Canyon Creek, owned by BEXAEW, LLC. The Company has a 50% ownership interest in the BEXAEW, LLC joint venture. The apartment community is located in Northridge, CA and has 200 apartment homes. Total proceeds from the sale were \$53.5 million, of which \$26.3 million were used to repay the loan on the community. The Company's share of the gain on sale was \$5.6 million, which was excluded from the calculation of FFO.

#### **OTHER INVESTMENTS**

In May, the Company originated a \$23.7 million preferred equity investment in a multifamily development project located in Seattle, WA. The investment has a preferred return of 10% and matures in 2020.

#### **DEVELOPMENT ACTIVITY**

The table below represents the development communities in lease-up during the second quarter and the current leasing status as of July 25, 2016.

<b>Project Name</b>	<b>Location</b>	<b>Total Apartment Homes</b>	<b>ESS Ownership</b>	<b>% Leased as of 7/25/16</b>	<b>Status</b>
Agora	Walnut Creek, CA	49	51%	67%	In Lease-Up
The Galloway (at Owens)	Pleasanton, CA	255	55%	38%	In Lease-Up
<b>Total/Average % Leased</b>		<b>304</b>		<b>43%</b>	

## LIQUIDITY AND BALANCE SHEET

### *Common Stock*

The Company did not issue any shares of common stock through its equity distribution program in the second quarter of 2016 or subsequent to quarter-end. Year-to-date the Company has not issued any common stock through its equity distribution program.

### *Balance Sheet*

In April, the Company redeemed all of the issued and outstanding 2,950,000 shares of the Company's 7.125% Series H Cumulative Redeemable Preferred Stock. The redemption resulted in a \$2.5 million non-cash charge to Total FFO during the first quarter, which is excluded from Core FFO. For additional details on the redemption, please see the press release dated March 10, 2016.

In April, the Company issued \$450 million of 10-year senior unsecured notes at an interest rate per annum of 3.375%. Please see the press release dated April 4, 2016 for additional details about the transaction.

As of July 25, 2016, the Company had \$1.025 billion in undrawn capacity on its unsecured credit facilities.

### *Quarterly Guidance*

For the second quarter, the Company exceeded the midpoint of the guidance range provided in its first quarter 2016 earnings release by \$0.08 per share. The following table provides a reconciliation of second quarter Core FFO per share to the midpoint of the guidance provided in the first quarter 2016 earnings release distributed in April 2016.

		<b>Per Diluted Share</b>
Projected midpoint of Core FFO per share for Q2 2016	\$	2.66
NOI from consolidated communities		0.04
FFO from Co-Investments		0.01
G&A and other income		0.03
Core FFO per share for Q2 2016 reported	\$	<b>2.74</b>

The table below provides key changes to the 2016 full-year same-property growth assumptions and Core FFO per diluted share. For additional details regarding our 2016 assumptions, please see page S-14 of the Supplemental Financial Information. For the third quarter of 2016, the Company has established a range for Core FFO per diluted share of \$2.73 to \$2.79.

### *2016 Full-Year Guidance*

	Previous Range	Previous Midpoint	Revised Range	Revised Midpoint
Same-Property Growth				
Gross Revenues	6.50% to 7.50%	7.0%	6.6% to 7.0%	6.8%
Operating Expenses	3.25% to 4.25%	3.8%	3.5% to 4.0%	3.8%
NOI	7.50% to 9.50%	8.5%	7.7% to 8.5%	8.1%
Core FFO per diluted share	\$10.72 to \$11.12	\$10.92	\$10.90 to \$11.06	\$10.98

## CONFERENCE CALL WITH MANAGEMENT

The Company will host an earnings conference call with management to discuss its quarterly results on Friday, July 29, 2016 at 11 a.m. PT (2 p.m. ET), which will be broadcast live via the Internet at [www.essex.com](http://www.essex.com), and accessible via phone by dialing toll-free, (877) 407-0784, or toll/international, (201) 689-8560. No passcode is necessary.

A rebroadcast of the live call will be available online for 90 days and digitally for 7 days. To access the replay online, go to [www.essex.com](http://www.essex.com) and select the second quarter earnings link. To access the replay digitally, dial (877) 870-5176 using the replay pin number 13639947. If you are unable to access the information via the Company's website, please contact the Investor Relations Department at [investors@essex.com](mailto:investors@essex.com) or by calling (650) 655-7800.

## CORPORATE PROFILE

Essex Property Trust, Inc., an S&P 500 company, is a fully integrated real estate investment trust (REIT) that acquires, develops, redevelops, and manages multifamily residential properties in selected West Coast markets. Essex currently has ownership interests in 243 apartment communities with an additional 7 properties in various stages of active development. Additional information about Essex can be found on the Company's website at [www.essex.com](http://www.essex.com).

This press release and accompanying supplemental financial information will be filed electronically on Form 8-K with the Securities and Exchange Commission and can be accessed from the Company's website at [www.essex.com](http://www.essex.com). If you are unable to obtain the information via the Web, please contact the Investor Relations Department at (650) 655-7800.

## FUNDS FROM OPERATIONS ("FFO") RECONCILIATION

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is generally considered by industry analysts as an appropriate measure of performance of an equity REIT. Generally, FFO adjusts the net income of equity REITs for non-cash charges such as depreciation and amortization of rental properties, impairment charges, gains/losses on sales of real estate and extraordinary items. Management considers FFO and FFO which excludes merger, integration and acquisition costs and items that are not routine or not related to the Company's core business activities, which is referred to as "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 an additional basis to evaluate the operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and the ability to pay dividends.

FFO and Core FFO do not represent net income or cash flows from operations as defined by U.S. generally accepted accounting principles ("GAAP") and are not intended to indicate whether cash flows will be sufficient to fund cash needs. These measures should not be considered as an alternative to net income as an indicator of the REIT's operating performance or to cash flows as a measure of liquidity. FFO and Core FFO do not measure whether cash flow is sufficient to fund all cash needs including principal amortization, capital improvements and distributions to shareholders. FFO and Core FFO also do not represent cash flows generated from operating, investing or financing activities as defined under GAAP. Management 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 disclosures of FFO may not be comparable to the Company's calculation.

The following table sets forth the Company's calculation of diluted FFO and Core FFO for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Funds from Operations attributable to common stockholders and unitholders (In thousands)</b>				
Net income available to common stockholders	\$72,013	\$45,555	\$149,994	\$104,918
Adjustments:				
Depreciation and amortization	109,673	113,731	219,380	220,638
Gains not included in FFO	(5,611)	(12,652)	(33,304)	(41,126)
Deferred tax expense on gain on sale of real estate and land – Taxable REIT Subsidiary activity	-	-	4,279	-
Depreciation add back from unconsolidated co-investments	12,457	12,105	24,480	24,022
Noncontrolling interest related to Operating Partnership units	2,450	1,581	5,234	3,644
Depreciation attributable to third party ownership and other	(4)	(251)	2	(500)
<b>Funds from Operations attributable to common stockholders and unitholders</b>	<b>\$190,978</b>	<b>\$160,069</b>	<b>\$370,065</b>	<b>\$311,596</b>
Merger and integration expenses	-	1,410	-	3,798
Acquisition and investment related costs	267	429	1,095	976
Gain on sale of marketable securities	(1,103)	-	(1,843)	-
Income from early redemption of preferred equity investments	-	-	-	(469)
Excess of redemption value of preferred stock over the carrying value	-	-	2,541	-
Insurance reimbursements, legal settlement, and other, net	(4,010)	(582)	(4,010)	(1,957)
<b>Core Funds from Operations attributable to common stockholders and unitholders</b>	<b>\$186,132</b>	<b>\$161,326</b>	<b>\$367,848</b>	<b>\$313,944</b>

#### SAFE HARBOR STATEMENT UNDER THE PRIVATE LITIGATION REFORM ACT OF 1995:

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements in the "Second Quarter Highlights" and “Guidance” sections regarding Core FFO per diluted share for the third quarter 2016 and full-year 2016 and 2016 guidance for same-property revenues, operating expenses, and NOI; statements in the "Second Quarter Highlights" section regarding apartment deliveries and the Company producing sector leading results; and statements and estimates set forth under the captions “Development Pipeline—June 30, 2016” and “Redevelopment Pipeline—June 30, 2016” on pages S-11 and S-12 of the Company’s Supplemental Financial Information Package, which accompanies this press release, regarding estimated costs of property development and redevelopment and regarding the anticipated timing of redevelopments and of the construction start, initial occupancy and stabilization of property development and the various financial projections and assumptions, including those regarding 2016 NOI, FFO and Core FFO, set forth in the columns “2016 Guidance Range” on page S-14 of the Company’s Supplemental Financial Information Package and in the guidance range columns on page S-17.3 of that Package for the third quarter 2016 and full-year 2016, and the forecasts, set forth on page S-16 of the Company’s Supplemental Financial Information Package, of residential supply, jobs, and rent growth in various areas. The Company's actual results may differ materially from those projected in such forward-looking statements. Factors that might cause such a difference include, but are not limited to, changes in market demand for rental units and the impact of competition and competitive pricing, unforeseen consequences from cyber-intrusion, changes in economic conditions, unexpected delays in the development

and stabilization of development projects, unexpected difficulties in leasing of development projects, total costs of development investments exceeding the Company's projections and other risks detailed in the Company's filings with the Securities and Exchange Commission (SEC). All forward-looking statements are made as of today, and the Company assumes no obligation to update this information. For more details relating to risks and uncertainties that could cause actual results to differ materially from those anticipated in our forward-looking statements, and risks to our business in general, please refer to our SEC filings, including the Company's Report on Form 10-K for the year ended December 31, 2015.

#### **DEFINITIONS AND RECONCILIATIONS**

Non-GAAP financial measures and other capitalized terms, as used in this earnings release, are defined and further explained on pages S-17.1 through S-17.4, "Reconciliations of Non-GAAP Financial Measures and Other Terms", of the accompanying supplemental financial information. The supplemental financial information is available on the Company's website at [www.essex.com](http://www.essex.com).

#### **Contact Information**

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# ESSEX PROPERTY TRUST, INC.

## Consolidated Operating Results

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>Revenues:</b>				
Rental and other property	\$ 319,562	\$ 294,101	\$ 631,740	\$ 574,330
Management and other fees	2,028	2,061	4,052	4,705
	<u>321,590</u>	<u>296,162</u>	<u>635,792</u>	<u>579,035</u>
<b>Expenses:</b>				
Property operating	96,079	90,077	190,569	177,248
Depreciation and amortization	109,673	113,731	219,380	220,638
General and administrative	9,698	9,549	18,880	20,094
Merger and integration expenses	-	1,410	-	3,798
Acquisition and investment related costs	267	429	1,095	976
	<u>215,717</u>	<u>215,196</u>	<u>429,924</u>	<u>422,754</u>
Earnings from operations	105,873	80,966	205,868	156,281
Interest expense, net <sup>(1)</sup>	(52,754)	(50,802)	(102,097)	(98,348)
Interest and other income	9,409	3,254	14,617	7,453
Equity income from co-investments	14,296	4,472	29,364	8,783
Gain on sale of real estate and land	-	-	20,258	7,112
Deferred tax expense on gain on sale of real estate and land	-	-	(4,279)	-
Gain on remeasurement of co-investment	-	12,652	-	34,014
Net income	<u>76,824</u>	<u>50,542</u>	<u>163,731</u>	<u>115,295</u>
Net income attributable to noncontrolling interest	(4,811)	(3,674)	(9,882)	(7,750)
Net income attributable to controlling interest	<u>72,013</u>	<u>46,868</u>	<u>153,849</u>	<u>107,545</u>
Dividends to preferred stockholders	-	(1,313)	(1,314)	(2,627)
Excess of redemption value of preferred stock over the carrying value	-	-	(2,541)	-
Net income available to common stockholders	<u>\$ 72,013</u>	<u>\$ 45,555</u>	<u>\$ 149,994</u>	<u>\$ 104,918</u>
Net income per share - basic	<u>\$ 1.10</u>	<u>\$ 0.70</u>	<u>\$ 2.29</u>	<u>\$ 1.63</u>
Shares used in income per share - basic	<u>65,451,110</u>	<u>64,810,184</u>	<u>65,428,382</u>	<u>64,499,545</u>
Net income per share - diluted	<u>\$ 1.10</u>	<u>\$ 0.70</u>	<u>\$ 2.29</u>	<u>\$ 1.62</u>
Shares used in income per share - diluted	<u>65,575,378</u>	<u>64,972,852</u>	<u>65,558,811</u>	<u>64,677,521</u>

(1) Refer to page S-17.2, the section titled "Interest Expense, Net" for additional information.

# ESSEX PROPERTY TRUST, INC.

## Consolidated Operating Results

### Selected Line Item Detail

(Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>Rental and other property</b>				
Rental	\$ 298,942	\$ 274,248	\$ 591,461	\$ 536,612
Other property	20,620	19,853	40,279	37,718
Rental and other property	<u>\$ 319,562</u>	<u>\$ 294,101</u>	<u>\$ 631,740</u>	<u>\$ 574,330</u>
<b>Property operating expenses</b>				
Real estate taxes	\$ 34,541	\$ 32,676	\$ 68,960	\$ 64,229
Administrative and insurance	19,927	18,556	38,961	36,796
Maintenance and repairs	18,449	17,696	36,467	34,163
Utilities	15,559	14,920	31,025	29,749
Property management	7,603	6,229	15,156	12,311
Property operating expenses	<u>\$ 96,079</u>	<u>\$ 90,077</u>	<u>\$ 190,569</u>	<u>\$ 177,248</u>
<b>Interest and other income</b>				
Marketable securities and other interest income	\$ 4,296	\$ 3,254	\$ 8,764	\$ 6,453
Gain from sale of marketable securities	1,103	-	1,843	-
Insurance reimbursements and legal settlements	4,010	-	4,010	1,000
Interest and other income	<u>\$ 9,409</u>	<u>\$ 3,254</u>	<u>\$ 14,617</u>	<u>\$ 7,453</u>
<b>Equity income from co-investments</b>				
Equity income from co-investments	\$ 4,804	\$ 1,980	\$ 9,756	\$ 3,207
Income from preferred equity investments	3,881	2,492	6,562	5,107
Gain on sale of co-investment communities	5,611	-	13,046	-
Income from early redemption of preferred equity investments	-	-	-	469
Equity income from co-investments	<u>\$ 14,296</u>	<u>\$ 4,472</u>	<u>\$ 29,364</u>	<u>\$ 8,783</u>
<b>Noncontrolling interest</b>				
Limited partners of Essex Portfolio, L.P.	\$ 2,450	\$ 1,581	\$ 5,234	\$ 3,644
DownREIT limited partners' distributions	1,425	1,297	2,859	2,597
Third-party ownership interest	936	796	1,789	1,509
Noncontrolling interest	<u>\$ 4,811</u>	<u>\$ 3,674</u>	<u>\$ 9,882</u>	<u>\$ 7,750</u>

See Company's 10-K and 10-Q for additional disclosures

## ESSEX PROPERTY TRUST, INC.

### Consolidated Funds From Operations <sup>(1)</sup>

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

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2016	2015	% Change	2016	2015	% Change
<b>Funds from operations attributable to common stockholders and unitholders (FFO)</b>						
Net income available to common stockholders	\$ 72,013	\$ 45,555		\$ 149,994	\$ 104,918	
Adjustments:						
Depreciation and amortization	109,673	113,731		219,380	220,638	
Gains not included in FFO	(5,611)	(12,652)		(33,304)	(41,126)	
Deferred tax expense on gain on sale of real estate and land - Taxable REIT Subsidiary activity	-	-		4,279	-	
Depreciation add back from unconsolidated co-investments	12,457	12,105		24,480	24,022	
Noncontrolling interest related to Operating Partnership units	2,450	1,581		5,234	3,644	
Depreciation attributable to third party ownership and other <sup>(2)</sup>	(4)	(251)		2	(500)	
<b>Funds from operations attributable to common stockholders and unitholders</b>	<b>\$ 190,978</b>	<b>\$ 160,069</b>		<b>\$ 370,065</b>	<b>\$ 311,596</b>	
<b>FFO per share-diluted</b>	<b>\$ 2.81</b>	<b>\$ 2.38</b>	18.1%	<b>\$ 5.45</b>	<b>\$ 4.66</b>	17.0%
<b>Components of the change in FFO</b>						
<b>Non-core items:</b>						
Merger and integration expenses	\$ -	\$ 1,410		\$ -	\$ 3,798	
Acquisition and investment related costs	267	429		1,095	976	
Gain on sale of marketable securities	(1,103)	-		(1,843)	-	
Income from early redemption of preferred equity investments	-	-		-	(469)	
Excess of redemption value of preferred stock over the carrying value	-	-		2,541	-	
Insurance reimbursements, legal settlements, and other, net	(4,010)	(582)		(4,010)	(1,957)	
<b>Core funds from operations attributable to common stockholders and unitholders</b>	<b>186,132</b>	<b>161,326</b>		<b>367,848</b>	<b>313,944</b>	
<b>Core FFO per share-diluted</b>	<b>\$ 2.74</b>	<b>\$ 2.40</b>	14.2%	<b>\$ 5.42</b>	<b>\$ 4.69</b>	15.6%
<b>Changes in core items:</b>						
Same-property NOI	\$ 15,101			\$ 30,881		
Non-same property NOI	5,108			13,958		
Management and other fees, net	(33)			(278)		
FFO from co-investments	4,397			8,294		
Interest and other income	1,042			2,311		
Interest expense	(1,952)			(3,749)		
General and administrative	(149)			1,214		
Other items, net	1,292			1,273		
	<b>\$ 24,806</b>			<b>\$ 53,904</b>		
Weighted average number of shares outstanding diluted <sup>(3)</sup>	<b>67,877,202</b>	<b>67,215,382</b>		<b>67,864,255</b>	<b>66,922,047</b>	

<sup>(1)</sup> Refer to page S-17.1 titled "Reconciliations of Non-GAAP Financial Measures and Other Terms" for additional information on the Company's definition and use of FFO and Core FFO.

<sup>(2)</sup> The Company consolidates Hidden Valley and Hillsdale Garden Apartments. Noncontrolling interest's share of net operating income in these investments for the three and six months ended June 30, 2016 was \$1.0 million and \$2.0 million respectively.

<sup>(3)</sup> Assumes conversion of all outstanding operating partnership interests in the Operating Partnership and excludes 739,779 units for which the Operating Partnership has the ability and intention to redeem the DownREIT limited partnership units for cash and does not consider them to be common stock equivalents out of a total of 953,006 DownREIT units.

# ESSEX PROPERTY TRUST, INC.

## Consolidated Balance Sheets

(Dollars in thousands)

	June 30, 2016	December 31, 2015
Real Estate:		
Land and land improvements	\$ 2,573,923	\$ 2,522,842
Buildings and improvements	10,096,484	9,808,627
	<u>12,670,407</u>	<u>12,331,469</u>
Less: accumulated depreciation	(2,159,840)	(1,949,892)
	<u>10,510,567</u>	<u>10,381,577</u>
Real estate under development	157,659	242,326
Co-investments	1,103,272	1,036,047
Real estate held for sale, net	-	26,879
	<u>11,771,498</u>	<u>11,686,829</u>
Cash and cash equivalents, including restricted	215,376	123,055
Marketable securities and other investments	152,263	137,485
Notes and other receivables	20,448	19,285
Prepaid expenses and other assets	47,106	38,437
Total assets	<u>\$ 12,206,691</u>	<u>\$ 12,005,091</u>
Unsecured debt, net	\$ 3,377,728	\$ 3,088,680
Mortgage notes payable, net	2,240,558	2,215,077
Lines of credit, net <sup>(1)</sup>	-	11,707
Other liabilities	328,798	307,152
Total liabilities	<u>5,947,084</u>	<u>5,622,616</u>
Redeemable noncontrolling interest	44,531	45,452
Equity:		
Common stock	6	6
Cumulative redeemable preferred stock, liquidation value	-	73,750
Additional paid-in capital	7,017,962	7,003,317
Distributions in excess of accumulated earnings	(856,815)	(797,329)
Accumulated other comprehensive loss, net	(43,007)	(42,011)
Total stockholders' equity	<u>6,118,146</u>	<u>6,237,733</u>
Noncontrolling interest	96,930	99,290
Total equity	<u>6,215,076</u>	<u>6,337,023</u>
Total liabilities and equity	<u>\$ 12,206,691</u>	<u>\$ 12,005,091</u>

<sup>(1)</sup> Lines of credit, net excludes unamortized debt issuance costs as of June 30, 2016 as the net effect resulted in a negative debt balance as of June 30, 2016 and was reclassified to prepaid expenses and other assets on the Consolidated Balance Sheet. The net balance at December 31, 2015 resulted in a positive debt balance and is presented on a net basis.

## ESSEX PROPERTY TRUST, INC.

### Debt Summary - June 30, 2016

(Dollars in thousands, except in footnotes)

	Balance Outstanding	Weighted Average		Scheduled principal payments, unamortized premiums (discounts) and (debt issuance costs) are as follows - excludes lines of credit:						
		Interest Rate	Maturity in Years	Unsecured	Secured	Unamortized premiums (discounts) and (debt issuance costs)	Total	Weighted Average Interest Rate	Percentage of Total Debt	
Unsecured Debt, net										
Bonds private - fixed rate	\$ 315,000	4.5%	4.1	2016	\$ 200,000	\$ 15,402	\$ 12,324	\$ 227,726	2.5%	4.1%
Bonds public - fixed rate	2,850,000	3.5%	6.8	2017	365,000	199,851	16,163	581,014	3.2%	10.3%
Term loan <sup>(1)</sup>	225,000	2.4%	0.4	2018	-	321,328	13,071	334,399	5.4%	6.0%
Unamortized net premiums and debt issuance costs	(12,272)	-	-	2019	75,000	586,954	8,458	670,412	3.4%	11.9%
	<u>3,377,728</u>	<u>3.5%</u>	<u>6.1</u>	2020	-	693,868	3,129	696,997	4.9%	12.4%
Mortgage Notes Payable, net				2021	500,000	51,584	(3,605)	547,979	4.3%	9.8%
Fixed rate - secured	1,896,546	4.9%	3.2	2022	300,000	41,355	(4,062)	337,293	3.7%	6.0%
Variable rate - secured <sup>(2)</sup>	291,709	1.2%	19.3	2023	600,000	846	(2,282)	598,564	3.6%	10.7%
Unamortized premiums and debt issuance costs	52,303	-	-	2024	400,000	925	(1,579)	399,346	4.0%	7.1%
Total mortgage notes payable	<u>2,240,558</u>	<u>4.4%</u>	<u>5.3</u>	2025	500,000	14,611	(904)	513,707	3.5%	9.1%
Unsecured Lines of Credit, net				2026	450,000	1,106	(313)	450,793	3.4%	8.0%
Line of credit <sup>(3)</sup>	-	-	-	Thereafter	-	260,425	(369)	260,056	1.1%	4.6%
Line of credit <sup>(4)</sup>	-	-	-	Total	<u>\$ 3,390,000</u>	<u>\$ 2,188,255</u>	<u>\$ 40,031</u>	<u>\$ 5,618,286</u>	<u>3.9%</u>	<u>100.0%</u>
Unamortized debt issuance costs	(3,831)	-	-							
Total lines of credit <sup>(5)</sup>	<u>(3,831)</u>	<u>-</u>	<u>-</u>							
Total debt, net	<u>\$ 5,614,455</u>	<u>3.9%</u>								

Capitalized interest for the three and six months ended June 30, 2016 was approximately \$3.1 million and \$6.2 million, respectively.

<sup>(1)</sup> The unsecured term loan has a variable interest rate of LIBOR plus 1.05%. The Company has entered into interest rate swap contracts with a notional amount totaling \$225 million, which effectively converts the interest rate on of the term loan to a fixed rate of 2.4%.

<sup>(2)</sup> \$281.7 million of \$291.7 million of variable rate debt is tax exempt to the note holders. \$20.7 million is subject to interest rate cap protection agreements.

<sup>(3)</sup> The unsecured line of credit facility aggregates to \$1 billion. The line matures in December 2019 with one 18-month extension, exercisable at the Company's option. The underlying interest rate on this line is based on a tiered rate structure tied to the Company's corporate ratings and is currently at LIBOR plus 0.90%.

<sup>(4)</sup> The unsecured line of credit facility is \$25 million. The maturity was extended to January 2018. The underlying interest rate on this line is based on a tiered rate structure tied to the Company's corporate ratings and is currently at LIBOR plus 0.90%.

<sup>(5)</sup> For financial statement purposes, unamortized debt issuance costs related to unsecured lines of credit have been reclassified to prepaid expenses and other assets on the Consolidated Balance Sheet because the net effect resulted in a negative debt balance as of June 30, 2016.



# ESSEX PROPERTY TRUST, INC.

Portfolio Summary as of June 30, 2016

Region - County	Apartment Homes				Average Monthly Rental Rate <sup>(1)</sup>			Percent of NOI <sup>(2)</sup>		
	Consolidated <sup>(3)</sup>	Unconsolidated Co-investments <sup>(4)</sup>	Apartment Homes in Development <sup>(5)</sup>	Total	Consolidated	Unconsolidated Co-investments <sup>(6)</sup>	Total <sup>(7)</sup>	Consolidated	Unconsolidated Co-investments <sup>(6)</sup>	Total <sup>(7)</sup>
<b>Southern California</b>										
Los Angeles County	9,438	1,418	-	10,856	\$ 2,261	\$ 1,960	\$ 2,240	19.9%	12.4%	19.3%
Orange County	5,788	1,144	-	6,932	1,997	1,706	1,971	11.1%	8.9%	10.9%
San Diego County	5,203	616	-	5,819	1,774	1,598	1,765	8.6%	4.4%	8.2%
Ventura County	2,897	373	-	3,270	1,644	2,064	1,669	4.8%	3.4%	4.7%
Other Southern CA	623	249	-	872	1,541	1,482	1,531	0.9%	1.6%	0.9%
<b>Total Southern California</b>	<b>23,949</b>	<b>3,800</b>	<b>-</b>	<b>27,749</b>	<b>1,998</b>	<b>1,804</b>	<b>1,984</b>	<b>45.3%</b>	<b>30.7%</b>	<b>44.0%</b>
<b>Northern California</b>										
Santa Clara County	6,160	2,477	852	9,489	2,640	2,652	2,643	16.6%	30.0%	17.9%
Alameda County	3,138	1,548	251	4,937	2,406	2,332	2,390	7.4%	14.4%	8.0%
San Mateo County	1,830	197	599	2,626	2,753	2,767	2,754	5.1%	2.7%	4.9%
Contra Costa County	2,270	49	-	2,319	2,208	4,490	2,235	5.0%	-0.1%	4.5%
San Francisco MSA	1,341	463	545	2,349	3,029	3,450	3,096	3.8%	7.5%	4.1%
Other Northern CA	126	-	-	126	2,239	-	2,239	0.3%	-	0.3%
<b>Total Northern California</b>	<b>14,865</b>	<b>4,734</b>	<b>2,247</b>	<b>21,846</b>	<b>2,570</b>	<b>2,654</b>	<b>2,582</b>	<b>38.2%</b>	<b>54.5%</b>	<b>39.7%</b>
<b>Seattle Metro</b>	<b>10,239</b>	<b>1,958</b>	<b>-</b>	<b>12,197</b>	<b>1,665</b>	<b>1,546</b>	<b>1,654</b>	<b>16.5%</b>	<b>14.8%</b>	<b>16.3%</b>
<b>Total</b>	<b>49,053</b>	<b>10,492</b>	<b>2,247</b>	<b>61,792</b>	<b>\$ 2,102</b>	<b>\$ 2,152</b>	<b>\$ 2,107</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> Average monthly rental rate is defined as the total potential monthly rental revenue (actual rent for occupied apartment homes plus market rent for vacant apartment homes) divided by the number of apartment homes.

<sup>(2)</sup> Actual NOI for the quarter ended June 30, 2016. See "Net Operating Income ("NOI") and Same-Property NOI Reconciliations" on page S-17.3.

<sup>(3)</sup> Includes all apartment communities with rents.

<sup>(4)</sup> Includes two rental income producing development communities in lease-up which consist of 304 apartment homes.

<sup>(5)</sup> Includes development communities with no rental income.

<sup>(6)</sup> Co-investment amounts weighted for Company's pro rata share.

<sup>(7)</sup> At Company's pro rata share.

See Company's 10-K and 10-Q for additional disclosures



## ESSEX PROPERTY TRUST, INC.

### Operating Income by Quarter <sup>(1)</sup>

(Dollars in thousands, except in footnotes)

	Apartment Homes	Q2 '16	Q1 '16	Q4 '15	Q3 '15	Q2 '15
<b>Rental and other property revenues:</b>						
Same-property	45,517	\$ 284,856	\$ 279,745	\$ 276,664	\$ 272,899	\$ 266,450
Acquisitions <sup>(2)</sup>	2,232	17,463	15,856	12,941	11,594	9,035
Development <sup>(3)</sup>	624	6,780	6,292	5,146	4,801	4,330
Redevelopment	680	4,609	4,406	4,293	4,214	4,078
Non-residential/other, net <sup>(4)</sup>	-	5,854	5,879	9,602	9,014	10,208
<b>Total rental and other property revenues</b>	<b>49,053</b>	<b>319,562</b>	<b>312,178</b>	<b>308,646</b>	<b>302,522</b>	<b>294,101</b>
<b>Property operating expenses:</b>						
Same-property		85,511	84,256	85,109	85,225	82,206
Acquisitions <sup>(2)</sup>		6,013	5,575	4,312	4,032	3,519
Development <sup>(3)</sup>		2,299	2,108	1,383	1,452	1,468
Redevelopment		1,466	1,507	1,653	1,611	1,534
Non-residential/other, net <sup>(4) (5)</sup>		790	1,044	(316)	1,799	1,350
<b>Total property operating expenses</b>		<b>96,079</b>	<b>94,490</b>	<b>92,141</b>	<b>94,119</b>	<b>90,077</b>
<b>Net operating income (NOI):</b>						
Same-property		199,345	195,489	191,555	187,674	184,244
Acquisitions <sup>(2)</sup>		11,450	10,281	8,629	7,562	5,516
Development <sup>(3)</sup>		4,481	4,184	3,763	3,349	2,862
Redevelopment		3,143	2,899	2,640	2,603	2,544
Non-residential/other, net <sup>(4)</sup>		5,064	4,835	9,918	7,215	8,858
<b>Total NOI</b>		<b>\$ 223,483</b>	<b>\$ 217,688</b>	<b>\$ 216,505</b>	<b>\$ 208,403</b>	<b>\$ 204,024</b>
<b>Same-property metrics</b>						
Operating margin		70%	70%	69%	69%	69%
Annualized turnover <sup>(6)</sup>		56%	45%	45%	61%	56%
Financial occupancy <sup>(7)</sup>		96.0%	96.0%	96.0%	96.0%	96.0%

<sup>(1)</sup> Includes consolidated communities only.

<sup>(2)</sup> Acquisitions include properties acquired which did not have comparable stabilized results as of January 1, 2015.

<sup>(3)</sup> Development includes properties developed which did not have comparable stabilized results as of January 1, 2015.

<sup>(4)</sup> Other real estate assets consists mainly of retail space, commercial properties, boat slips, held for sale properties, and disposition properties.

<sup>(5)</sup> Includes other expenses and intercompany eliminations pertaining to self-insurance. In Q4'15 there were \$1.9 million in reductions to operating expenses related to changes in prior period property tax estimates.

<sup>(6)</sup> Annualized turnover is defined as the number of apartment homes turned over during the quarter, annualized, divided by the total number of apartment homes.

<sup>(7)</sup> Financial occupancy is defined as the percentage resulting from dividing actual rental revenue by total potential rental revenue (actual rent for occupied apartment homes plus market rent for vacant apartment homes).

## ESSEX PROPERTY TRUST, INC.

### Same-Property Results by County - Second Quarter 2016 vs. Second Quarter 2015 and First Quarter 2016

(Dollars in thousands, except average monthly rental rates)

Region - County	Apartment Homes	Q2 '16 % of Actual NOI	Average Monthly Rental Rate			Financial Occupancy			Gross Revenues			Sequential Gross Revenues	
			Q2 '16	Q2 '15	% Change	Q2 '16	Q2 '15	% Change	Q2 '16	Q2 '15	% Change	Q1 '16	% Change
<b>Southern California</b>													
Los Angeles County	7,443	17.0%	\$ 2,225	\$ 2,105	5.7%	95.8%	95.7%	0.1%	\$ 49,712	\$ 46,766	6.3%	\$ 49,257	0.9%
Orange County	5,788	12.1%	1,997	1,894	5.4%	96.1%	96.1%	0.0%	34,954	33,273	5.1%	34,437	1.5%
San Diego County	4,961	9.0%	1,755	1,648	6.5%	95.9%	95.1%	0.8%	26,530	24,707	7.4%	25,982	2.1%
Ventura County	2,897	5.3%	1,644	1,552	5.9%	96.2%	96.3%	-0.1%	14,657	13,859	5.8%	14,472	1.3%
Other Southern CA	623	1.0%	1,541	1,440	7.0%	97.8%	97.4%	0.4%	2,947	2,757	6.9%	2,953	-0.2%
<b>Total Southern California</b>	<b>21,712</b>	<b>44.4%</b>	<b>1,960</b>	<b>1,851</b>	<b>5.9%</b>	<b>96.0%</b>	<b>95.8%</b>	<b>0.2%</b>	<b>128,800</b>	<b>121,362</b>	<b>6.1%</b>	<b>127,101</b>	<b>1.3%</b>
<b>Northern California</b>													
Santa Clara County	5,874	17.5%	2,631	2,452	7.3%	96.4%	96.3%	0.1%	46,816	43,530	7.5%	45,957	1.9%
Alameda County	2,914	7.5%	2,381	2,182	9.1%	95.9%	96.2%	-0.3%	21,093	19,427	8.6%	20,614	2.3%
San Mateo County	1,566	4.6%	2,642	2,447	8.0%	96.0%	96.6%	-0.6%	12,614	11,781	7.1%	12,438	1.4%
Contra Costa County	2,270	5.4%	2,208	2,039	8.3%	96.6%	96.5%	0.1%	15,274	14,163	7.8%	14,970	2.0%
San Francisco MSA	816	2.2%	2,422	2,295	5.5%	94.7%	95.5%	-0.8%	5,833	5,607	4.0%	5,753	1.4%
Other Northern CA	126	0.3%	2,239	1,957	14.4%	97.3%	98.7%	-1.4%	851	755	12.7%	839	1.4%
<b>Total Northern California</b>	<b>13,566</b>	<b>37.5%</b>	<b>2,492</b>	<b>2,310</b>	<b>7.9%</b>	<b>96.2%</b>	<b>96.3%</b>	<b>-0.1%</b>	<b>102,481</b>	<b>95,263</b>	<b>7.6%</b>	<b>100,571</b>	<b>1.9%</b>
<b>Seattle Metro</b>	<b>10,239</b>	<b>18.1%</b>	<b>1,665</b>	<b>1,538</b>	<b>8.3%</b>	<b>95.9%</b>	<b>96.1%</b>	<b>-0.2%</b>	<b>53,575</b>	<b>49,825</b>	<b>7.5%</b>	<b>52,073</b>	<b>2.9%</b>
<b>Total Same-Property</b>	<b>45,517</b>	<b>100.0%</b>	<b>\$ 2,052</b>	<b>\$ 1,918</b>	<b>7.0%</b>	<b>96.0%</b>	<b>96.0%</b>	<b>0.0%</b>	<b>\$ 284,856</b>	<b>\$ 266,450</b>	<b>6.9%</b>	<b>\$ 279,745</b>	<b>1.8%</b>

See Company's 10-K and 10-Q for additional disclosures

## ESSEX PROPERTY TRUST, INC.

### Same-Property Revenue Results by County - Six months ended June 30, 2016 vs. Six months ended June 30, 2015

(Dollars in thousands, except average monthly rental rates)

Region - County	Apartment Homes	YTD 2016 % of Actual NOI	Average Monthly Rental Rate			Financial Occupancy			Gross Revenues		
			YTD 2016	YTD 2015	% Change	YTD 2016	YTD 2015	% Change	YTD 2016	YTD 2015	% Change
<b>Southern California</b>											
Los Angeles County	7,443	17.2%	\$ 2,212	\$ 2,090	5.8%	95.9%	95.7%	0.2%	\$ 98,969	\$ 92,790	6.7%
Orange County	5,788	12.1%	1,983	1,881	5.4%	96.1%	96.2%	-0.1%	69,391	66,224	4.8%
San Diego County	4,961	8.9%	1,741	1,635	6.5%	95.8%	95.4%	0.4%	52,512	49,105	6.9%
Ventura County	2,897	5.3%	1,635	1,540	6.2%	96.2%	96.3%	-0.1%	29,129	27,553	5.7%
Other Southern CA	623	1.0%	1,533	1,429	7.3%	98.1%	98.0%	0.1%	5,900	5,513	7.0%
<b>Total Southern California</b>	<b>21,712</b>	<b>44.5%</b>	<b>1,947</b>	<b>1,838</b>	<b>5.9%</b>	<b>96.0%</b>	<b>95.9%</b>	<b>0.1%</b>	<b>255,901</b>	<b>241,185</b>	<b>6.1%</b>
<b>Northern California</b>											
Santa Clara County	5,874	17.5%	2,610	2,419	7.9%	96.4%	96.3%	0.1%	92,773	85,779	8.2%
Alameda County	2,914	7.4%	2,359	2,146	9.9%	95.8%	96.2%	-0.4%	41,707	38,181	9.2%
San Mateo County	1,566	4.6%	2,619	2,417	8.4%	96.1%	96.3%	-0.2%	25,052	23,174	8.1%
Contra Costa County	2,270	5.4%	2,185	2,010	8.7%	96.6%	96.4%	0.2%	30,244	27,858	8.6%
San Francisco MSA	816	2.1%	2,414	2,271	6.3%	94.1%	94.8%	-0.7%	11,586	11,010	5.2%
Other Northern CA	126	0.3%	2,219	1,936	14.6%	98.0%	97.7%	0.3%	1,690	1,480	14.2%
<b>Total Northern California</b>	<b>13,566</b>	<b>37.3%</b>	<b>2,471</b>	<b>2,278</b>	<b>8.5%</b>	<b>96.2%</b>	<b>96.2%</b>	<b>0.0%</b>	<b>203,052</b>	<b>187,482</b>	<b>8.3%</b>
<b>Seattle Metro</b>	<b>10,239</b>	<b>18.2%</b>	<b>1,642</b>	<b>1,521</b>	<b>8.0%</b>	<b>95.8%</b>	<b>96.1%</b>	<b>-0.3%</b>	<b>105,648</b>	<b>98,480</b>	<b>7.3%</b>
<b>Total Same-Property</b>	<b>45,517</b>	<b>100.0%</b>	<b>\$ 2,034</b>	<b>\$ 1,898</b>	<b>7.2%</b>	<b>96.0%</b>	<b>96.1%</b>	<b>-0.1%</b>	<b>\$ 564,601</b>	<b>\$ 527,147</b>	<b>7.1%</b>

See Company's 10-K and 10-Q for additional disclosures

## ESSEX PROPERTY TRUST, INC.

### Same-Property Operating Expenses - Quarter and Year to Date as of June 30, 2016 and 2015

(Dollars in thousands)

	Q2 '16	Q2 '15	% Change	% of Op. Ex.	YTD 2016	YTD 2015	% Change	% of Op. Ex.
<b>Same-property operating expenses:</b>								
Real estate taxes	\$ 29,129	\$ 28,757	1.3%	34.1%	\$ 58,464	\$ 57,501	1.7%	34.4%
Maintenance and repairs	16,717	16,126	3.7%	19.5%	33,026	31,506	4.8%	19.5%
Administrative	15,910	15,297	4.0%	18.6%	30,982	29,992	3.3%	18.2%
Utilities	14,060	13,515	4.0%	16.5%	27,912	27,179	2.7%	16.5%
Management fees <sup>(1)</sup>	6,861	5,659	21.2%	8.0%	13,715	11,313	21.2%	8.1%
Insurance	2,834	2,852	-0.6%	3.3%	5,668	5,703	-0.6%	3.3%
<b>Total same-property operating expenses</b>	<b>\$ 85,511</b>	<b>\$ 82,206</b>	<b>4.0%</b>	<b>100.0%</b>	<b>\$ 169,767</b>	<b>\$ 163,194</b>	<b>4.0%</b>	<b>100.0%</b>

<sup>(1)</sup> Reflects the Company's change to property management fee allocation.

## ESSEX PROPERTY TRUST, INC.

### Development Pipeline - June 30, 2016

(Dollars in millions, except per apartment home amounts in thousands and except in footnotes)

Project Name	Location	Ownership %	Estimated Apartment Homes	Estimated Commercial sq. feet	Incurred to Date	Remaining Costs	Estimated Total Cost	Essex Est. Total Cost <sup>(1)</sup>	Cost per Apartment Home <sup>(2)</sup>	Average % Occupied <sup>(3)</sup>	% Leased <sup>(3)</sup>	Construction Start	Initial Occupancy	Stabilized Operations
<b>Development Projects - Consolidated <sup>(4)</sup></b>														
Station Park Green <sup>(5)</sup>	San Mateo, CA	100%	320	35,000	\$ 57	\$ 182	\$ 239	\$ 239	\$ 693	0.0%	0.0%	Q3 2015	Q1 2018	Q4 2018
Gateway Village <sup>(6)</sup>	Santa Clara, CA	100%	476	-	31	195	226	226	475	0.0%	0.0%	Q3 2016	Q2 2018	Q3 2019
<b>Total Development Projects - Consolidated</b>			<b>796</b>	<b>35,000</b>	<b>88</b>	<b>377</b>	<b>465</b>	<b>465</b>	<b>584</b>					
<b>Land Held for Future Development - Consolidated</b>														
Other Projects <sup>(5)</sup>	Various	100%			75	-	75	75						
<b>Total Development Pipeline - Consolidated</b>			<b>796</b>	<b>35,000</b>	<b>163</b>	<b>377</b>	<b>540</b>	<b>540</b>						
<b>Development Projects/Land Held for Future Development - Joint Venture <sup>(4)</sup></b>														
Agora <sup>(7)</sup>	Walnut Creek, CA	51%	49	32,188	94	1	95	48	1,140	7.5%	42.9%	Q3 2013	Q2 2016	Q3 2016
The Galloway (at Owens)	Pleasanton, CA	55%	255	5,729	78	11	89	49	341	4.2%	33.0%	Q3 2014	Q2 2016	Q2 2017
The Galloway (at Hacienda)	Pleasanton, CA	55%	251	-	55	31	86	47	343	0.0%	0.0%	Q1 2015	Q3 2016	Q3 2017
Century Towers	San Jose, CA	50%	376	2,006	123	49	172	86	456	0.0%	0.0%	Q3 2014	Q1 2017	Q1 2018
500 Folsom <sup>(8)</sup>	San Francisco, CA	50%	545	6,000	84	297	381	191	691	0.0%	0.0%	Q4 2015	Q4 2018	Q2 2020
<b>Total Development Projects - Joint Venture</b>			<b>1,476</b>	<b>45,923</b>	<b>434</b>	<b>389</b>	<b>823</b>	<b>421</b>	<b>\$ 526</b>					
<b>Grand Total - Development Pipeline</b>			<b>2,272</b>	<b>80,923</b>	<b>\$ 597</b>	<b>\$ 766</b>	<b>\$ 1,363</b>	<b>961</b>						
<b>Essex Cost Incurred to Date</b>									<b>(387)</b>					
<b>Essex Remaining Commitment</b>									<b>\$ 574</b>					

<sup>(1)</sup> The Company's share of the estimated total costs of the project.

<sup>(2)</sup> Net of the estimated allocation to the retail component of the project.

<sup>(3)</sup> Calculations are based on multifamily operations only and are as of June 30, 2016. As of July 25, 2016, Agora was 67.3% leased and Galloway (at Owens) was 37.6% leased.

<sup>(4)</sup> For the second quarter of 2016, the Company's cost includes \$3.0 million of capitalized interest, \$0.8 million of capitalized overhead and \$0.9 million of development fees (such development fees reduced G&A expenses).

<sup>(5)</sup> Reflects development of phases one and two. Costs incurred for phases three and four, which consist of 279 apartment homes, are included in Land Held for Future Development.

<sup>(6)</sup> Cost incurred to date does not include a deduction of \$4.7 million for accumulated depreciation recorded during the period when the property was held as a retail operating asset.

<sup>(7)</sup> Apartment homes are built to condominium standards and average approximately 1,600 square feet.

<sup>(8)</sup> Estimated total cost is net of a projected value for low income housing tax credit proceeds and tax exempt bonds.

See Company's 10-K and 10-Q for additional disclosures

## ESSEX PROPERTY TRUST, INC.

### Redevelopment Pipeline - June 30, 2016

(Dollars in thousands, except in footnotes)

Region/Project Name	Apartment Homes	Total Incurred To Date	Estimated Remaining Cost	Estimated Total Cost	Project Start Date	NOI For the six months ended	
						2016	2015
<b>Same-property - Redevelopment Projects <sup>(1)</sup></b>							
<b>Southern California</b>							
Hamptons	215	\$ 10,400	\$ 13,200	\$ 23,600	Q1 2014		
The Hallie (formerly Monterras)	292	21,700	4,700	26,400	Q1 2014		
<b>Northern California</b>							
Summerhill Park	100	8,000	1,900	9,900	Q4 2014		
<b>Seattle Metro</b>							
Park Highland	250	8,600	3,900	12,500	Q4 2014		
Total Same-Property - Redevelopment Projects	857	\$ 48,700	\$ 23,700	\$ 72,400		\$ 7,497	\$ 6,577
<b>Non-same property - Redevelopment Projects</b>							
<b>Southern California</b>							
Bunker Hill Towers	456	\$ 46,900	\$ 40,500	\$ 87,400	Q3 2013		
Total Non-Same Property - Redevelopment Projects	456	\$ 46,900	\$ 40,500	\$ 87,400		\$ 3,514	\$ 2,824

<sup>(1)</sup> Redevelopment activities are ongoing at these communities, but the communities have stabilized operations, therefore results are classified in same-property results.

## ESSEX PROPERTY TRUST, INC.

### Capital Expenditures - June 30, 2016

(Dollars in thousands, except in footnotes)

<b>Revenue Generating Capital Expenditures</b> <sup>(1) (2)</sup>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Trailing 4 Quarters</b>
Same-property portfolio	\$ 13,077	\$ 15,460	\$ 23,132	\$ 19,027	\$ 70,696
Non-same property portfolio	6,260	8,221	8,999	5,453	28,933
Total revenue generating capital expenditures	\$ 19,337	\$ 23,681	\$ 32,131	\$ 24,480	\$ 99,629
Number of same-property interior renovations completed	869	813	618	859	3,159
Number of total consolidated interior renovations completed	939	917	704	1,051	3,611
<b>Non-Revenue Generating Capital Expenditures</b> <sup>(3)</sup>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Trailing 4 Quarters</b>
Non-revenue generating capital expenditures	\$ 16,595	\$ 5,312	\$ 14,533	\$ 17,994	\$ 54,434
Average apartment homes in quarter	49,053	48,933	48,686	48,560	48,808
Capital expenditures per apartment homes in the quarter	\$ 338	\$ 109	\$ 299	\$ 371	\$ 1,115

(1) The Company incurred \$0.1 million of capitalized interest, \$2.8 million of capitalized overhead and \$0.2 million of co-investment redevelopment fees related to redevelopment in Q2 2016.

(2) Represents revenue generating or expense saving expenditures such as full-scale redevelopments shown on page S-12, interior unit turn renovations, enhanced amenities and certain resource management initiatives.

(3) Represents roof replacements, paving, building and mechanical systems, exterior painting, siding, etc.

## ESSEX PROPERTY TRUST, INC.

### Co-investments - June 30, 2016

(Dollars in thousands)

	Essex Ownership Percentage	Apartment Homes	Total Undepreciated Book Value	Debt Amount	Essex Book Value	Weighted Average Borrowing Rate	Remaining Term of Debt (in Years)	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
<b>Operating Non-Consolidated Joint Ventures</b>								<b>NOI</b>	
Wesco I, LLC	50.0%	2,275	\$ 562,374	\$ 293,721	\$ 101,885	3.9%	8.9	\$ 9,491	18,475
Wesco III, LLC	50.0%	993	242,271	134,012	47,056	3.3%	4.2	3,481	7,061
Wesco IV, LLC	50.0%	1,116	301,597	154,307	60,632	3.7%	4.7	4,719	9,522
BEXAEW, LLC	50.0%	2,191	402,804	242,084	65,636	3.2%	4.7	6,797	14,354
CPPIB	55.0%	1,928	692,475	-	379,311	-	-	10,691	20,966
Palm Valley	50.0%	1,098	370,832	223,496	68,229	2.5%	0.6	5,289	10,410
Other	50.0% - 55.0%	587	201,576	138,011	31,517	2.7%	2.0	3,152	5,773
<b>Total Operating Non-Consolidated Joint Ventures</b>		<b>10,188</b>	<b>\$ 2,773,929</b>	<b>\$ 1,185,631</b>	<b>\$ 754,266</b>	<b>3.3%</b>	<b>4.8</b>	<b>\$ 43,620</b>	<b>\$ 86,561</b>
Development Non-Consolidated Joint Ventures <sup>(1)</sup>	50.0% - 55.0%	1,476	433,790	53,364	175,269	3.3%	1.2	(72)	(72)
<b>Total Non-Consolidated Joint Ventures</b>		<b>11,664</b>	<b>\$ 3,207,719</b>	<b>\$ 1,238,995</b>	<b>\$ 929,535</b>			<b>\$ 43,548</b>	<b>\$ 86,489</b>

	<b>Essex Portion of NOI and Expenses</b>	
NOI	\$ 22,439	\$ 44,523
Depreciation	(12,457)	(24,480)
Interest expense and other	(5,178)	(10,287)
Gain on sale of co-investments	5,611	13,046
Net income from operating co-investments	<b>\$ 10,415</b>	<b>\$ 22,802</b>

	Weighted Average Preferred Return	Weighted Average Expected Term	<b>Income from Preferred Equity Investments</b>	
Income from preferred equity investments			\$ 3,881	\$ 6,562
<b>Preferred Equity Investments <sup>(2)</sup></b>	<b>10.3%</b>	<b>3.1</b>	<b>\$ 3,881</b>	<b>\$ 6,562</b>
<b>Total Co-investments</b>			<b>\$ 14,296</b>	<b>\$ 29,364</b>

<sup>(1)</sup> The Company has interests in five development co-investments, which are detailed on S-11.

<sup>(2)</sup> As of June 30, 2016 the Company has invested in ten preferred equity investments.



## ESSEX PROPERTY TRUST, INC.

### Assumptions for 2016 FFO Guidance Range

### Q2 2016 Earnings Results Supplement

The guidance projections below are based on current expectations and are forward-looking. The guidance is given for Total and Core FFO. See pages S-17.1 to S-17.4 for the definitions of non-GAAP financial measures and other terms as well as the reconciliations of projected net income per share to projected FFO per share and projected Core FFO per share.

(\$'s in thousands, except share and per share data) <sup>(1)</sup>

	YTD Actuals	2016 Guidance Range		
		Low End	High End	Comments Regarding Changes to Guidance
<b>Net Operating Income ("NOI")</b>				
<b>Total NOI from consolidated communities</b>	\$ 441,171	\$ 894,200	\$ 900,600	Includes actual results through June and the revised range of same-property NOI growth of 7.7% to 8.5%.
<b>Management Fees</b>	4,052	8,000	8,600	
<b>Interest Expense</b>				
Interest expense, before capitalized interest	(108,372)	(222,100)	(220,500)	
Forecasted interest capitalized	6,275	12,700	13,700	
Net interest expense	(102,097)	(209,400)	(206,800)	
<b>Recurring Income and Expenses</b>				
Interest and other income	8,764	16,500	17,100	Includes actual results through June and investment activity completed through July.
FFO from co-investments	40,798	84,600	86,200	
General and administrative expense	(18,880)	(41,000)	(42,000)	
Preferred dividends and non-controlling interest	(5,960)	(11,900)	(11,500)	
Total recurring income and expenses	24,722	48,200	49,800	
<b>Non-Core Income and Expenses</b>				
Gain on sales of marketable securities and land	1,843	1,843	1,843	
Loss on early retirement of debt and redemption costs	(2,541)	(2,541)	(2,541)	
Acquisition and investment related costs	(1,095)	(2,000)	(3,000)	
Other non-core adjustments	4,010	4,010	4,010	
Total non-core income and expenses	2,217	1,312	312	
Funds from Operations attributable to common stockholders and unitholders	\$ 370,065	\$ 742,312	\$ 752,512	
<b>Funds from Operations per diluted share</b>	\$ 5.45	\$ 10.92	\$ 11.07	
<b>% Change - Funds from Operations</b>	17.0%	12.3%	13.9%	
Core Funds from Operations attributable to common stockholders and unitholders	\$ 367,848	\$ 741,000	\$ 752,200	
<b>Core Funds from Operations per diluted share</b>	\$ 5.42	\$ 10.90	\$ 11.06	
<b>% Change - Core Funds from Operations</b>	15.6%	11.0%	12.6%	
Weighted average shares outstanding	67,864	68,000	68,000	

<sup>(1)</sup> All non-core items are excluded from the YTD actuals and included in the non-core income and expense section of the FFO reconciliation.

## ESSEX PROPERTY TRUST, INC.

### Summary of Apartment Community Acquisitions and Dispositions Activity

Year to date as of June 30, 2016

(Dollars in thousands, except average rent amounts and in footnotes)

Acquisitions		Apartment	Essex			Contract	Price per	Average
Property Name	Location	Homes	Ownership	Entity	Date	Price	Apartment Home	Rent
Mio	San Jose, CA	103	100.0%	EPLP	Jan-16	\$ 51,300	\$ 498	\$ 2,888
Form 15	San Diego, CA	242	100.0%	EPLP	Mar-16	97,400	402	2,221
	<b>Q1 2016</b>	<u>345</u>				<u>\$ 148,700</u>	<u>\$ 431</u>	

Dispositions <sup>(1)</sup>		Apartment	Essex			Sales	Price per	
Property Name	Location	Homes	Ownership	Entity	Date	Price	Apartment Home	
The Heights	Chino Hills, CA	332	50.0%	JV	Jan-16	\$ 93,800 <sup>(2)</sup>	\$ 283	
Harvest Park	Santa Rosa, CA	104	100.0%	EPLP	Feb-16	30,500	293	
	<b>Q1 2016</b>	<u>436</u>				<u>\$ 124,300</u>	<u>\$ 285</u>	
Canyon Creek	Northridge, CA	200	50.0%	JV	Apr-16	\$ 53,500 <sup>(2)</sup>	\$ 268	
	<b>Q2 2016</b>	<u>200</u>				<u>\$ 53,500</u>	<u>\$ 268</u>	

<sup>(1)</sup> In January 2016, the Company sold its former headquarters office building, located in Palo Alto, CA for gross proceeds of \$18.0 million.

<sup>(2)</sup> The Heights and Canyon Creek sales prices represent the total sales price at 100%.

## ESSEX PROPERTY TRUST, INC.

2016 MSA Level Forecast: Supply, Jobs, and Apartment Market Conditions

Market	Residential Supply <sup>(1)</sup>					Job Forecast <sup>(2)</sup>		Market Forecast <sup>(3)</sup>
	New MF Supply	New SF Supply	Total Supply	% of MF Supply to MF Stock	% of Total Supply to Total Stock	Est. New Jobs	% Growth	Economic Rent Growth
Los Angeles	11,000	5,700	16,700	0.7%	0.5%	94,600	2.2%	5.5%
Orange	3,800	3,800	7,600	0.9%	0.7%	39,500	2.5%	5.6%
San Diego	3,300	3,500	6,800	0.7%	0.6%	36,700	2.6%	5.3%
Ventura	150	700	850	0.2%	0.3%	5,350	1.8%	5.4%
<b>So. Cal.</b>	<b>18,250</b>	<b>13,700</b>	<b>31,950</b>	<b>0.7%</b>	<b>0.5%</b>	<b>176,150</b>	<b>2.3%</b>	<b>5.5%</b>
San Francisco	6,400	650	7,050	1.6%	0.9%	21,000	2.0%	2.5%
Oakland	1,600	4,300	5,900	0.5%	0.6%	21,900	2.0%	5.0%
San Jose	5,850	2,100	7,950	2.3%	1.2%	31,300	3.0%	3.5%
<b>No. Cal.</b>	<b>13,850</b>	<b>7,050</b>	<b>20,900</b>	<b>1.5%</b>	<b>0.9%</b>	<b>74,200</b>	<b>2.5%</b>	<b>3.8%</b>
<b>Seattle</b>	<b>8,450</b>	<b>7,100</b>	<b>15,550</b>	<b>1.7%</b>	<b>1.3%</b>	<b>55,800</b>	<b>3.5%</b>	<b>8.5%</b>
<b>Weighted Average <sup>(4)</sup></b>	<b>40,550</b>	<b>27,850</b>	<b>68,400</b>	<b>1.2%</b>	<b>0.8%</b>	<b>306,150</b>	<b>2.6%</b>	<b>5.5%</b>

All data are based on Essex Property Trust, Inc. forecasts.

**U.S. Economic Assumptions:** 2016 G.D.P. Growth: 2.0%, 2016 Job Growth: 1.8%

<sup>(1)</sup> **New Residential Supply:** MF reflects Company's internal estimate of actual multifamily deliveries; SF is based on 12 month single family trailing permits reported by the US Census Bureau.

<sup>(2)</sup> **Job Forecast:** refers to the difference between total non-farm industry employment (not seasonally adjusted) projected 4Q over 4Q, expressed as total new jobs and growth rates.

<sup>(3)</sup> **Market Forecast:** the estimated rent growth represents the forecasted change in effective market rents for full year 2016 vs 2015 (excludes submarkets not targeted by Essex).

<sup>(4)</sup> **Weighted Average:** markets weighted by scheduled rent in the Company's Portfolio.

## ESSEX PROPERTY TRUST, INC.

### Reconciliations of Non-GAAP Financial Measures and Other Terms

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#### Adjusted EBITDA Reconciliation

Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a component of the credit ratio, "Net Indebtedness Divided by Adjusted EBITDA", presented on page S-6, in the section titled "Selected Credit Ratios", and it is not intended to be a measure of free cash flow for our management's discretionary use, as it does not consider certain cash requirements such as income tax payments, debt service requirements, capital expenditures and other fixed charges. Adjusted EBITDA is not a recognized measurement under U.S. GAAP. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

The reconciliation of Adjusted EBITDA to Net income available to common stockholders is presented in the table below (Dollars in thousands):

	Three Months Ended June 30, <u>2016</u>
Net income available to common stockholders	\$ 72,013
Add: Net income attributable to noncontrolling interest	4,811
Net Income	<u>76,824</u>
Adjustments:	
Acquisition and investment related costs	267
Depreciation and amortization	109,673
Equity income from co-investments	(4,804)
Gain from sale of marketable securities	(1,103)
Gain on sale of co-investment communities	(5,611)
Insurance reimbursements, legal settlements, and other, net	(4,010)
Interest expense, net <sup>(1)</sup>	<u>52,754</u>
Adjusted EBITDA	<u>\$ 223,990</u>

<sup>(1)</sup> Interest expense, net includes items such as gains on derivatives and the amortization of deferred charges.

#### Encumbered

Encumbrance means any mortgage, deed of trust, lien, charge, pledge, security interest, security agreement or other encumbrance of any kind.

#### Funds From Operations ("FFO")

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is generally considered by industry analysts as an appropriate measure of performance of an equity REIT. Generally, FFO adjusts the net income of equity REITs for non-cash charges such as depreciation and amortization of rental properties, impairment charges, gains/losses on sales of real estate and extraordinary items. Management considers FFO and FFO which excludes merger, integration and acquisition costs and items that are not routine or not related to the Company's core business activities, which is referred to as "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 an additional basis to evaluate the operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and the ability to pay dividends.

# ESSEX PROPERTY TRUST, INC.

## Reconciliations of Non-GAAP Financial Measures and Other Terms

### Funds From Operations ("FFO") - continued

FFO and Core FFO do not represent net income or cash flows from operations as defined by U.S. generally accepted accounting principles ("GAAP") and are not intended to indicate whether cash flows will be sufficient to fund cash needs. These measures should not be considered as an alternative to net income as an indicator of the REIT's operating performance or to cash flows as a measure of liquidity. FFO and Core FFO do not measure whether cash flow is sufficient to fund all cash needs including principal amortization, capital improvements and distributions to shareholders. FFO and Core FFO do not represent cash flows generated from operating, investing or financing activities as defined under U.S. GAAP. Management 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 disclosures of FFO may not be comparable to the Company's calculation.

The reconciliation of diluted FFO and Core FFO are detailed on page S-3 titled "Consolidated Funds From Operations".

### Interest Expense, Net

Interest expense, net is a U.S. GAAP measure and is presented on page S-1 titled "Consolidated Operating Results". Interest expense, net includes items such as gains on derivatives and the amortization of deferred charges and is presented in the table below (Dollars in thousands):

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Interest expense	\$ (55,568)	\$ (108,034)
Adjustments:		
Total return swap income	2,814	5,937
Interest expense, net	\$ (52,754)	\$ (102,097)

### Net Indebtedness Divided by Adjusted EBITDA

This credit ratio is presented on page S-6 in the section titled "Selected Credit Ratios". This credit ratio is calculated by dividing net indebtedness by Adjusted EBITDA, as annualized based on the most recent quarter, and adjusted for estimated net operating income from properties acquired during the quarter. This ratio is presented by the Company because it provides rating agencies and investors an additional means of comparing the Company's ability to service debt obligations to that of other companies. Net indebtedness is total debt, net less unamortized premiums, discounts, debt issuance costs, unrestricted cash and cash equivalents, and marketable securities. The reconciliation of Adjusted EBITDA is set forth in "Adjusted EBITDA Reconciliation" above. The calculation of this credit ratio and a reconciliation of net indebtedness to total debt, net is presented in the table below (Dollars in thousands):

Total debt, net	\$ 5,614,455
Adjustments:	
Unamortized premiums, discounts, and debt issuance costs	(36,200)
Cash and cash equivalents-unrestricted	(182,515)
Marketable securities	(152,263)
Net Indebtedness	\$ 5,243,477
Adjusted EBITDA, annualized <sup>(1)</sup>	\$ 895,960
Net Indebtedness Divided by Adjusted EBITDA, annualized	5.9

<sup>(1)</sup> Based on the amount for the most recent quarter, multiplied by four.

## ESSEX PROPERTY TRUST, INC.

### Reconciliations of Non-GAAP Financial Measures and Other Terms

#### Net Operating Income ("NOI") and Same-Property NOI Reconciliations

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

	Q2'16	YTD 2016	Q2'15	YTD 2015
Earnings from operations	\$ 105,873	\$ 205,868	\$ 80,966	\$ 156,281
Adjustments:				
Depreciation and amortization	109,673	219,380	113,731	220,638
Management and other fees	(2,028)	(4,052)	(2,061)	(4,705)
General and administrative	9,698	18,880	9,549	20,094
Merger and integration expenses	-	-	1,410	3,798
Acquisition and investment related costs	267	1,095	429	976
NOI	223,483	441,171	204,024	397,082
Less: Non-same property NOI	(24,138)	(46,337)	(19,780)	(33,129)
Same-Property NOI	<u>\$ 199,345</u>	<u>\$ 394,834</u>	<u>\$ 184,244</u>	<u>\$ 363,953</u>

#### Projected EPS, FFO and Core FFO per diluted share

With respect to the Company's guidance regarding its projected FFO and Core FFO for the third quarter of 2016 and full-year 2016, which guidance is set forth in the earnings release for the second quarter of 2016 and on page S-14 of this supplement, a reconciliation of projected net income per share to projected FFO per share and projected Core FFO per share, as set forth in such guidance, is presented in the table below.

	2016 Guidance Range			
	3rd Quarter 2016		Full Year 2016	
	Low	High	Low	High
Projected EPS - diluted	\$ 0.91	\$ 0.97	\$ 4.13	\$ 4.28
Conversion from GAAP share count	(0.03)	(0.03)	(0.14)	(0.14)
Depreciation & amortization expense	1.81	1.81	7.22	7.22
Noncontrolling interests related to Operating Partnership units	0.03	0.03	0.14	0.14
Gains on sale of real estate	-	-	(0.49)	(0.49)
Deferred tax expense	-	-	0.06	0.06
Projected FFO per share - diluted	2.72	2.78	10.92	11.07
Gains on sales of marketable securities	-	-	(0.03)	(0.03)
Excess of redemption value of preferred stock over carrying value	-	-	0.04	0.04
Acquisition and investment related costs	0.01	0.01	0.03	0.04
Other non-core adjustments	-	-	(0.06)	(0.06)
Projected Core FFO per share - diluted	<u>\$ 2.73</u>	<u>\$ 2.79</u>	<u>\$ 10.90</u>	<u>\$ 11.06</u>

# ESSEX PROPERTY TRUST, INC.

## Reconciliations of Non-GAAP Financial Measures and Other Terms

### Public Bond Covenants

Public Bond Covenants refers to certain covenants set forth in instruments governing the Company's unsecured indebtedness. These instruments require the Company to meet specified financial covenants, including covenants relating to net worth, fixed charge coverage, debt service coverage, the amounts of total indebtedness and secured indebtedness, leveraged and certain investment limitations. These covenants may restrict the Company's ability to expand or fully pursue its business strategies. The Company's ability to comply with these covenants may be affected by changes in the Company's operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events adversely impacting it. The breach of any of these covenants could result in a default under the Company's indebtedness, which could cause those and other obligations to become due and payable. If any of the Company's indebtedness is accelerated, it may not be able to repay it. For risks related to failure to comply with these covenants, see "Item 1A: Risk Factors - Risks related to Our Indebtedness and Financing" in the Company's Annual Report on Form 10-K and other reports filed by the Company with the Securities and Exchange Commission ("SEC").

The ratios set forth on page S-6 in the section titled "Public Bond Covenants" are provided only to show the Company's compliance with certain specified covenants that are contained in indentures related to the Company's issuance of Senior Notes, which indentures are filed by the Company with the SEC. See, for example, the Indenture dated April 11, 2016, filed by the company as Exhibit 4.1 to the Company's Form 8-K, filed on April 11, 2016. These ratios should not be used for any other purpose, including without limitation to evaluate the Company's financial condition or results of operations, nor do they indicate the Company's covenant compliance as of any other date or for any other period. The capitalized terms in the disclosure are defined in the Indentures filed by the Company via Form 8-Ks and may differ materially from similar terms used by other companies that present information about their covenant compliance.

### Secured Debt

Secured Debt means Debt of the Company or any of its Subsidiaries which is secured by an Encumbrance on any property or assets of the Company or any of its Subsidiaries. The calculation of Secured Debt is set forth on page S-5.

### Unencumbered NOI to Adjusted Total NOI

This ratio is presented on page S-6 in the section titled "Public Bond Covenants". Unencumbered NOI means the sum of NOI for those real estate assets which are not subject to an Encumbrance securing Debt. The ratio of Unencumbered NOI to Adjusted Total NOI for the three month ended June 30, 2016, annualized, is calculated by dividing Unencumbered NOI, annualized for the three months ended June 30, 2016 and as further adjusted for pro forma NOI for properties acquired during the recent quarter, by Adjusted Total NOI as annualized. The calculation and reconciliation of NOI is set forth in "Net Operating Income ("NOI") and Same-Property NOI Reconciliation" above. This ratio is presented by the Company because it provides rating agencies and investors an additional means of comparing the Company's ability to service debt obligations to that of other companies. The calculation of this ratio is presented in the table below (Dollars in thousands):

	Annualized Q2'16 <sup>(1)</sup>
NOI	\$ 893,932
Adjustments:	
Other, Net	(6,324)
Adjusted Total NOI	887,608
Less: Encumbered NOI	(299,726)
Unencumbered NOI	\$ 587,882
Encumbered NOI	\$ 299,726
Unencumbered NOI	587,882
Adjusted Total NOI	\$ 887,608
Unencumbered NOI to Adjusted Total NOI	66%

<sup>(1)</sup> This table is based on the amounts for the most recent quarter, multiplied by four.