WASHINGTON TRUST BANCORP INC
Form 10-Q
November 05, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended SEPTEMBER 30, 2018 or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.

Commission file number: 001-32991

WASHINGTON TRUST BANCORP, INC.
(Exact name of registrant as specified in its charter)

RHODE ISLAND	05-0404671
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

23 BROAD STREET

WESTERLY, RHODE ISLAND	02891
(Address of principal executive offices)	(Zip Code)

(401) 348-1200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes o No

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

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 accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The number of shares of common stock of the registrant outstanding as of October 31, 2018 was 17,294,570.

FORM 10-Q
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
For the Quarter Ended September 30, 2018

TABLE OF CONTENTS

PART I. Financial Information
Item 1. Financial Statements
Washington Trust Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets (unaudited) (Dollars in thousands, except par value)

	September 30, 2018	December 31, 2017
Assets:		
Cash and due from banks	$72,934	$79,853
Short-term investments	2,917	3,070
Mortgage loans held for sale, at fair value	22,571	26,943
Securities:		
Available for sale, at fair value	812,647	780,954
Held to maturity, at amortized cost (fair value $10,657 at September 30, 2018 and $12,721 at December 31, 2017)	10,863	12,541
Total securities	823,510	793,495
Federal Home Loan Bank stock, at cost	44,525	40,517
Loans:		
Total loans	3,556,203	3,374,071
Less allowance for loan losses	26,509	26,488
Net loans	3,529,694	3,347,583
Premises and equipment, net	28,195	28,333
Investment in bank-owned life insurance	79,891	73,267
Goodwill	63,909	63,909
Identifiable intangible assets, net	8,400	9,140
Other assets	94,126	63,740
Total assets	$4,770,672	$4,529,850
Liabilities:		
Deposits:		
Noninterest-bearing deposits	$611,829	$578,410
Interest-bearing deposits	2,802,519	2,664,297
Total deposits	3,414,348	3,242,707
Federal Home Loan Bank advances	828,392	791,356
Junior subordinated debentures	22,681	22,681
Other liabilities	77,342	59,822
Total liabilities	4,342,763	4,116,566
Commitments and contingencies (Note 18)		
Shareholders' Equity:		
Common stock of $.0625 par value; authorized 60,000,000 shares; issued and outstanding 17,290,443 shares at September 30, 2018 and 17,226,508 shares at December 31, 2017	1,081	1,077
Paid-in capital	119,220	117,961
Retained earnings	346,685	317,756
Accumulated other comprehensive loss	(39,077)	(23,510)
Total shareholders' equity	427,909	413,284
Total liabilities and shareholders' equity	$4,770,672	$4,529,850

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited) (Dollars and shares in thousands, except per share amounts)

	Three Months		Nine Months	
Periods ended September 30,	2018	2017	2018	2017
Interest income:				
Interest and fees on loans	$38,877	$32,509	$110,556	$94,503
Taxable interest on securities	5,383	4,655	15,859	14,208
Nontaxable interest on securities	9	41	52	225
Dividends on Federal Home Loan Bank stock	634	467	1,700	1,293
Other interest income	261	197	723	457
Total interest and dividend income	45,164	37,869	128,890	110,686
Interest expense:				
Deposits	6,546	3,835	16,222	10,928
Federal Home Loan Bank advances	4,937	3,816	13,627	10,669
Junior subordinated debentures	232	159	629	446
Other interest expense	—	—	—	1
Total interest expense	11,715	7,810	30,478	22,044
Net interest income	33,449	30,059	98,412	88,642
Provision for loan losses	350	1,300	750	2,400
Net interest income after provision for loan losses	33,099	28,759	97,662	86,242
Noninterest income:				
Wealth management revenues	9,454	10,013	29,329	29,432
Mortgage banking revenues	2,624	3,036	8,403	8,295
Service charges on deposit accounts	885	942	2,651	2,726
Card interchange fees	983	894	2,791	2,598
Income from bank-owned life insurance	572	546	1,624	1,624
Loan related derivative income	278	1,452	1,087	2,744
Other income	419	400	1,066	1,180
Total noninterest income	15,215	17,283	46,951	48,599
Noninterest expense:				
Salaries and employee benefits	17,283	17,362	52,359	51,697
Outsourced services	1,951	1,793	6,174	4,960
Net occupancy	2,013	1,928	5,945	5,662
Equipment	1,080	1,380	3,329	4,160
Legal, audit and professional fees	559	534	1,840	1,732
FDIC deposit insurance costs	410	308	1,236	1,258
Advertising and promotion	440	416	946	1,015
Amortization of intangibles	245	253	740	787
Change in fair value of contingent consideration	—	—	—	(310)
Other expenses	2,081	2,780	6,911	7,385
Total noninterest expense	26,062	26,754	79,480	78,346
Income before income taxes	22,252	19,288	65,133	56,495
Income tax expense	4,741	6,326	13,737	18,552
Net income	$17,511	$12,962	$51,396	$37,943

Weighted average common shares outstanding - basic		17,283	17,212	17,263	17,201
Weighted average common shares outstanding - diluted		17,382	17,318	17,392	17,320
Per share information:	Basic earnings per common share	$1.01	$0.75	$2.97	$2.20
	Diluted earnings per common share	$1.01	$0.75	$2.95	$2.19
	Cash dividends declared per share	$0.43	$0.39	$1.29	$1.15

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited) (Dollars in thousands)

	Three Months		Nine Months	
Periods ended September 30,	2018	2017	2018	2017
Net income	$17,511	$12,962	$51,396	$37,943
Other comprehensive income (loss), net of tax:				
Net change in fair value of securities available for sale	(4,531)	1,094	(18,057)	3,323
Net change in fair value of cash flow hedges	155	(13)	1,409	(364)
Net change in defined benefit plan obligations	361	217	1,081	427
Total other comprehensive (loss) income, net of tax	(4,015)	1,298	(15,567)	3,386
Total comprehensive income	$13,496	$14,260	$35,829	$41,329

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity (unaudited) (Dollars and shares in thousands)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2018	17,227	$1,077	$117,961	$317,756	($23,510)	$413,284
Net income	—	—	—	51,396	—	51,396
Total other comprehensive loss, net of tax	—	—	—	—	(15,567)	(15,567)
Cash dividends declared	—	—	—	(22,467)	—	(22,467)
Share-based compensation	—	—	1,977	—	—	1,977
Exercise of stock options, issuance of other compensation-related equity awards	63	4	(718)	—	—	(714)
Balance at September 30, 2018	17,290	$1,081	$119,220	$346,685	($39,077)	$427,909

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2017	17,171	$1,073	$115,123	$294,365	($19,757)	$390,804
Net income	—	—	—	37,943	—	37,943
Total other comprehensive income, net of tax	—	—	—	—	3,386	3,386
Cash dividends declared	—	—	—	(19,974)	—	(19,974)
Share-based compensation	—	—	1,872	—	—	1,872
Exercise of stock options, issuance of other compensation-related equity awards	43	3	194	—	—	197
Balance at September 30, 2017	17,214	$1,076	$117,189	$312,334	($16,371)	$414,228

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited) (Dollars in thousands)

Nine months ended September 30,		2018	2017
Cash flows from operating activities:			
Net income		$51,396	$37,943
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		750	2,400
Depreciation of premises and equipment		2,454	2,613
Net amortization of premiums and discounts on securities and loans		2,157	2,560
Amortization of intangibles		740	787
Goodwill impairment		—	150
Share-based compensation		1,977	1,872
Tax benefit from stock option exercises and other equity awards		454	414
Income from bank-owned life insurance		(1,624)	(1,624)
Net gains on loan sales and commissions on loans originated for others, including fair value adjustments		(7,950)	(8,004)
Proceeds from sales of loans		306,095	345,539
Loans originated for sale		(296,367)	(337,772)
Change in fair value of contingent consideration liability		—	(310)
Increase in other assets		(20,903)	(9,548)
Increase in other liabilities		19,256	6,537
Net cash provided by operating activities		58,435	43,557
Cash flows from investing activities:			
Purchases of:	Mortgage-backed securities available for sale	(96,867)	(35,213)
	Other investment securities available for sale	(30,964)	(19,963)
Maturities and principal payments of:	Mortgage-backed securities available for sale	63,918	62,745
	Other investment securities available for sale	6,795	21,269
	Mortgage-backed securities held to maturity	1,603	2,283
(Purchases) remittance of Federal Home Loan Bank stock		(4,008)	956
Net increase in loans		(181,853)	(88,914)
Purchases of loans		(1,750)	(737)
Proceeds from the sale of property acquired through foreclosure or repossession		49	513
Purchases of premises and equipment		(2,320)	(2,184)
Purchases of bank-owned life insurance		(5,000)	—
Net cash used in investing activities		(250,397)	(59,245)
Cash flows from financing activities:			
Net increase in deposits		171,641	93,329
Proceeds from Federal Home Loan Bank advances		1,462,500	1,000,000
Repayment of Federal Home Loan Bank advances		(1,425,464)	(1,034,885)
Payment of contingent consideration liability		(1,217)	—
Net proceeds from stock option exercises and issuance of other equity awards		(714)	194
Cash dividends paid		(21,856)	(19,567)
Net cash provided by financing activities		184,890	39,071
Net (decrease) increase in cash and cash equivalents		(7,072)	23,383
Cash and cash equivalents at beginning of period		82,923	107,797

Cash and cash equivalents at end of period	$75,851	$131,180
Noncash Investing and Financing Activities:		
Loans charged off	$889	$1,415
Loans transferred to property acquired through foreclosure or repossession	3,074	576
Supplemental Disclosures:		
Interest payments	$28,596	$21,512
Income tax payments	12,585	19,272

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Condensed Notes to Unaudited Consolidated Financial Statements

(1) General Information
Washington Trust Bancorp, Inc. (the "Bancorp") is a publicly-owned registered bank holding company that has elected to be a financial holding company. The Bancorp's subsidiaries include The Washington Trust Company, of Westerly (the "Bank"), a Rhode Island chartered commercial bank founded in 1800, and Weston Securities Corporation ("WSC"). Through its subsidiaries, the Bancorp offers a comprehensive product line of banking and financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its offices in Rhode Island, eastern Massachusetts and Connecticut; its automated teller machines ("ATMs"); telephone banking; mobile banking and its internet website (www.washtrust.com).

The Unaudited Consolidated Financial Statements include the accounts of the Bancorp and its subsidiaries (collectively the "Corporation" or "Washington Trust"). All intercompany transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the current year's presentation.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America ("GAAP") and to general practices of the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

The Unaudited Consolidated Financial Statements of the Corporation presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying Unaudited Consolidated Financial Statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying Unaudited Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

(2) Recently Issued Accounting Pronouncements
Revenue from Contracts with Customers - Topic 606
Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), was issued in May 2014 and provides a revenue recognition framework for any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other accounting standards. As issued, ASU 2014-09 was effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period with early adoption not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, Accounting Standards Update No. 2015-14, "Deferral of the Effective Date" ("ASU 2015-14") was issued and delayed the effective date of ASU 2014-09 to annual and interim periods in fiscal years beginning after December 15, 2017. In 2016, Accounting Standards Update No. 2016-08, "Principal versus Agent Considerations" ("ASU 2016-08"), Accounting Standards Update No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10") and Accounting Standards Update No. 2016-12, "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12") were issued. These ASUs did not change the core principle for revenue recognition in Topic 606; instead, the amendments provided more detailed guidance in a few areas and additional implementation guidance and examples to reduce the degree of judgment necessary to comply with Topic 606. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 were the same as those provided by ASU 2015-14. Management assembled a project team to address the changes pursuant to Topic 606. The project team completed a scope

assessment and contract review for in-scope revenue streams. Washington Trust's largest source of revenue is net interest income on financial assets and liabilities, which was explicitly excluded from the scope of this ASU. Revenue streams that were within the scope of Topic 606 include wealth management revenues, service charges on deposit accounts and card interchange fees. Management adopted the provisions of ASU 2014-09 effective January 1, 2018, using the modified retrospective transition method. The adoption did not have a material impact on the Corporation's consolidated financial statements. See Note 12 for further details.

Financial Instruments - Overall - Topic 825

Accounting Standards Update No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), was issued in January 2016 and provides revised guidance related to the accounting for and reporting of financial instruments. Some of the main provisions include: requiring most equity securities to be reported at fair value with unrealized gains and losses reported in the income statement; requiring separate presentation of financial assets and liabilities by measurement category and form (i.e. securities or loans); clarifying that entities must assess valuation allowances on a deferred tax asset related to available for sale debt securities in combination with their other deferred tax assets; and eliminating the requirement to disclose the method and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the balance sheet. ASU 2016-01 was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Management adopted the provisions of ASU 2016-01 effective January 1, 2018. The adoption did not have a material impact on the Corporation's consolidated financial statements.

Accounting Standards Update No. 2018-03, "Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2018-03"), was issued in February 2018 to clarify certain aspects of the guidance issued in ASU 2016-01. Companies, such as Washington Trust, were not required to adopt the provisions of ASU 2018-03 until the interim period beginning after June 15, 2018. However, early adoption was permitted, as long as ASU 2016-01 provisions were adopted. Management early adopted the provisions of ASU 2018-03 effective January 1, 2018. The adoption did not have an impact on the Corporation's consolidated financial statements.

Leases - Topic 842

Accounting Standards Update No. 2016-02, "Leases" ("ASU 2016-02"), was issued in February 2016 and provides revised guidance related to the accounting and reporting of leases. ASU 2016-02 requires lessees to recognize most leases on the balance sheet. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. ASU 2016-02 requires a modified retrospective transition, with a number of practical expedients that entities may elect to apply. In January 2018, Accounting Standards Update No. 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ("ASU 2018-01") was issued to address concerns about the costs and complexity of complying with the transition provisions of ASU 2016-02. In July 2018, Accounting Standards Update No. 2018-10, "Codification Improvements to Topic 842, Leases" ("ASU 2018-10") was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Also in July 2018, Accounting Standards Update No. 2018-11, "Targeted Improvements" ("ASU 2018-11") was issued and allows for an optional transition method in which the provisions of Topic 842 would be applied upon the adoption date and would not have to be retroactively applied to the earliest reporting period presented in the consolidated financial statements. The Corporation intends to use this optional transition method for the adoption of Topic 842. These ASUs are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Management assembled a project team that meets regularly to address the changes pursuant to Topic 842. The Corporation rents premises used in business operations under non-cancelable operating leases, which currently are not reflected in its Consolidated Balance Sheets. As disclosed in Note 18, the Corporation was committed to $36.6 million of future minimum lease payments under these non-cancelable operating leases. Upon adoption of ASU 2016-02 on January 1, 2019, the Corporation expects to report increased assets and liabilities as a result of recognizing right-of-use assets and lease liabilities in its Consolidated Balance Sheets. The Corporation does not expect a material change to the timing of expense recognition in the Consolidated Statements of Income.

Financial Instruments - Credit Losses - Topic 326

Accounting Standards Update No. 2016-13, "Financial Instruments - Credit Losses" ("ASU 2016-13"), was issued in June 2016. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 provides for a modified retrospective transition, resulting in a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition approach will be adopted in order to maintain the same amortized cost prior to and subsequent to the effective date of ASU 2016-13. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019, with early adoption permitted in 2019. Washington Trust is evaluating the effect that this ASU will have on consolidated financial statements and disclosures. Management assembled a project team that meets regularly to evaluate the provisions of this ASU, to address the additional data requirements necessary and to determine the approach for implementation. The Corporation does not plan to early adopt ASU 2016-13 and it has not yet determined the impact it will have on its consolidated financial statements.

Statement of Cash Flows - Topic 230
Accounting Standards Update No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), was issued in August 2016. ASU 2016-15 provides classification guidance on certain cash receipts and cash payments, including,

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

but not limited to, debt prepayment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of bank-owned life insurance policies and distributions received from equity method investees. The adoption of ASU 2016-15 requires a retrospective transition method applied to each period presented. This ASU was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Management adopted the provisions of ASU 2016-15 effective January 1, 2018. The adoption did not have a material impact on the Corporation’s consolidated financial statements.

Accounting Standards Update No. 2016-18, “Restricted Cash” (“ASU 2016-18”), was issued in November 2016. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash. Restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of ASU 2016-18 requires a retrospective transition method applied to each period presented. This ASU was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Management adopted the provisions of ASU 2016-18 effective January 1, 2018. The adoption did not have a material impact on the Corporation’s consolidated financial statements.

Compensation - Retirement Benefits - Topic 715
Accounting Standards Update No. 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”), was issued in March 2017. ASU 2017-07 requires that employers include the service cost component of net periodic benefit cost in the same line item as other employee compensation costs and all other components of net periodic benefit cost in a separate line item(s) in the statement of income. In addition, the line item in which the components of net periodic benefit cost other than the service cost are included shall be identified as such on the statement of income or in the notes to the financial statements. ASU 2017-07 was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 requiring retrospective application for all periods presented. Management adopted the provisions of ASU 2017-07 effective January 1, 2018, utilizing the practical expedient that permitted employers to use the amounts previously disclosed in notes to financial statements as an estimation basis for applying the retrospective application requirements. The adoption of ASU 2017-07 resulted in an increase in salaries and employee benefits, a decrease in other expenses and no change to net income. The adoption did not have a material impact on the Corporation’s consolidated financial statements. See Note 13 for further details.

Accounting Standards Update No. 2018-14, “Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”), was issued in August 2018 to modify the disclosure requirements associated with defined benefit pension plans and other postretirement plans. ASU 2018-13 is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The provisions under ASU 2018-13 are required to be applied retrospectively. The adoption of ASU 2018-14 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Compensation - Stock Compensation - Topic 718
Accounting Standards Update No. 2017-09, “Scope of Modification Accounting” (“ASU 2017-09”), was issued in May 2017 to provide clarity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. ASU 2017-09 was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with provisions applied on a prospective basis. Management adopted the provisions of ASU 2017-09 effective January 1, 2018. The adoption did not have a material impact on the Corporation’s consolidated financial statements.

Derivatives and Hedging - Topic 815

Accounting Standards Update No. 2017-12, “Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”), was issued in August 2017 to better align financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. The provisions of ASU 2017-12 should be applied on a modified retrospective transition method in which the Corporation will recognize the cumulative effect of the change in the opening balance of retained earnings as of the adoption date. The Corporation has not yet determined the impact ASU 2017-12 will have on its consolidated financial statements.

Fair Value Measurement - Topic 820

Accounting Standards Update No. 2018-13, “Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”), was issued in August 2018 to modify the disclosure requirements related to fair value. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, including adoption in an interim period. Certain provisions under ASU 2018-13 require prospective application, while other provisions require

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

retrospective application to all periods presented in the consolidated financial statements upon adoption. The adoption of ASU 2018-13 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Intangibles - Goodwill and Other - Internal-Use Software - Topic 350
Accounting Standards Update No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract” (“ASU 2018-15”), was issued in August 2018 to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with those requirements that currently exist in GAAP for capitalizing implementation costs incurred to develop or obtain internal-use software. Implementation costs would either be capitalized or expensed as incurred depending on the project stage. All costs in the preliminary and post-implementation project stages are expensed as incurred, while certain costs within the application development stage are capitalized. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, including adoption in an interim period. The adoption of ASU 2018-15 is not expected to have a material impact on the Corporation’s consolidated financial statements.

(3) Cash and Due from Banks
The Bank maintains certain average reserve balances to meet the requirements of the Board of Governors of the Federal Reserve System (“FRB”). Some or all of these reserve requirements may be satisfied with vault cash. Reserve balances amounted to $20.7 million at September 30, 2018 and $14.1 million at December 31, 2017 and were included in cash and due from banks in the Unaudited Consolidated Balance Sheets.

As of September 30, 2018 and December 31, 2017, cash and due from banks included interest-bearing deposits in other banks of $20.8 million and $31.9 million, respectively.

(4) Securities
The following tables present the amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of securities by major security type and class of security:
(Dollars in thousands)

September 30, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available for Sale:				
Obligations of U.S. government-sponsored enterprises	$201,398	$9	($7,934)	$193,473
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	616,552	1,143	(24,833)	592,862
Obligations of states and political subdivisions	935	2	—	937
Individual name issuer trust preferred debt securities	13,303	—	(839)	12,464
Corporate bonds	13,911	—	(1,000)	12,911
Total securities available for sale	$846,099	$1,154	($34,606)	$812,647
Held to Maturity:				
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	$10,863	$—	($206)	$10,657
Total securities held to maturity	$10,863	$—	($206)	$10,657
Total securities	$856,962	$1,154	($34,812)	$823,304

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

(Dollars in thousands)

December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available for Sale:				
Obligations of U.S. government-sponsored enterprises	$161,479	$—	($3,875)	$157,604
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	594,944	3,671	(7,733)	590,882
Obligations of states and political subdivisions	2,355	4	—	2,359
Individual name issuer trust preferred debt securities	18,106	—	(1,122)	16,984
Corporate bonds	13,917	13	(805)	13,125
Total securities available for sale	$790,801	$3,688	($13,535)	$780,954
Held to Maturity:				
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	$12,541	$180	$—	$12,721
Total securities held to maturity	$12,541	$180	$—	$12,721
Total securities	$803,342	$3,868	($13,535)	$793,675

As of September 30, 2018 and December 31, 2017, securities with a fair value of $356.5 million and $357.8 million, respectively, were pledged as collateral for Federal Home Loan Bank of Boston ("FHLB") borrowings, potential borrowings with the FRB, certain public deposits and for other purposes. See Note 7 for additional disclosure on FHLB borrowings.

The schedule of maturities of debt securities available for sale and held to maturity is presented below. Mortgage-backed securities are included based on weighted average maturities, adjusted for anticipated prepayments. All other debt securities are included based on contractual maturities. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Available for Sale		Held to Maturity	
September 30, 2018	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$64,023	$61,577	$1,370	$1,344
Due after one year to five years	314,353	302,124	4,529	4,443
Due after five years to ten years	278,106	266,878	3,709	3,639
Due after ten years	189,617	182,068	1,255	1,231
Total securities	$846,099	$812,647	$10,863	$10,657

Included in the above table are debt securities with an amortized cost balance of $228.6 million and a fair value of $218.9 million at September 30, 2018 that are callable at the discretion of the issuers. Final maturities of the callable securities range from 8 months to 18 years, with call features ranging from 1 month to 3 years.

Other-Than-Temporary Impairment Assessment

Washington Trust assesses whether the decline in fair value of investment securities is other-than-temporary on a regular basis. Unrealized losses on debt securities may occur from current market conditions, increases in interest rates since the time of purchase, a structural change in an investment, volatility of earnings of a specific issuer, or deterioration in credit quality of the issuer. Management evaluates impairments in value both qualitatively and quantitatively to assess whether they are other-than-temporary.

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

The following tables summarize temporarily impaired securities, segregated by length of time the securities have been in a continuous unrealized loss position:

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
September 30, 2018	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Obligations of U.S. government-sponsored enterprises	8	$77,958	($2,040)	11	$105,606	($5,894)	19	$183,564	($7,934)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	37	235,900	(6,567)	34	304,937	(18,472)	71	540,837	(25,039)
Individual name issuer trust preferred debt securities	—	—	—	5	12,464	(839)	5	12,464	(839)
Corporate bonds	4	1,706	(13)	5	11,205	(987)	9	12,911	(1,000)
Total temporarily impaired securities	49	$315,564	($8,620)	55	$434,212	($26,192)	104	$749,776	($34,812)

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
December 31, 2017	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Obligations of U.S. government-sponsored enterprises	8	$69,681	($798)	8	$87,923	($3,077)	16	$157,604	($3,875)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	20	128,965	(613)	22	279,693	(7,120)	42	408,658	(7,733)
Individual name issuer trust preferred debt securities	—	—	—	7	16,984	(1,122)	7	16,984	(1,122)
Corporate bonds	3	921	(5)	3	10,980	(800)	6	11,901	(805)
Total temporarily impaired securities	31	$199,567	($1,416)	40	$395,580	($12,119)	71	$595,147	($13,535)

Further deterioration in credit quality of the underlying issuers of the securities, deterioration in the condition of the financial services industry, worsening of the current economic environment, or additional declines in real estate values, among other things, may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods, and the Corporation may incur write-downs.

U.S. Government Agency and U.S. Government-Sponsored Enterprise Securities, including Mortgage-Backed Securities

The gross unrealized losses on U.S. government agency and U.S government-sponsored debt securities, including mortgage-backed securities, were primarily attributable to relative changes in interest rates since the time of purchase. The contractual cash flows for these securities are guaranteed by U.S. government agencies and U.S. government-sponsored enterprises. Management believes that the unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality. Management expects to recover the entire amortized cost basis of these securities. Furthermore, Washington Trust does not intend to sell these securities and it is not more-likely-than-not that Washington Trust will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, management does not consider these investments to be other-than-temporarily impaired at September 30, 2018.

Trust Preferred Debt Securities of Individual Name Issuers

Included in debt securities in an unrealized loss position at September 30, 2018 were five trust preferred securities issued by four individual companies in the banking sector. Management believes the unrealized losses on these holdings were attributable to the general widening of spreads for this category of debt securities issued by financial services companies since the time these securities were purchased. Based on the information available through the filing date of this report, all individual name issuer trust preferred debt securities held in our portfolio continue to accrue interest and make payments as expected with no payment deferrals or defaults on the part of the issuers. As of September 30, 2018, individual name issuer trust preferred debt securities with an amortized cost of $6.1 million and unrealized losses of $411 thousand were rated below investment grade by Standard & Poors, Inc. ("S&P"). Management reviewed the collectibility of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings, including ratings in effect as of

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

the reporting period date as well as credit rating changes between the reporting period date and the filing date of this report, and other information. We noted no additional downgrades to below investment grade between September 30, 2018 and the filing date of this report. Based on this review, management concluded that it expects to recover the entire amortized cost basis of these securities. Furthermore, Washington Trust does not intend to sell these securities and it is not more-likely-than-not that Washington Trust will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, management does not consider these investments to be other-than-temporarily impaired at September 30, 2018.

Corporate Bonds

At September 30, 2018, Washington Trust had nine corporate bond holdings with unrealized losses totaling $1.0 million. These investment grade corporate bonds were issued by large corporations, primarily in the financial services industry. Management believes the unrealized losses on these bonds are a function of the changes in the investment spreads and interest rate movements and not changes in the credit quality of the issuers of the debt securities. Management expects to recover the entire amortized cost basis of these securities. Furthermore, Washington Trust does not intend to sell these securities and it is not more-likely-than-not that Washington Trust will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, management does not consider these investments to be other-than-temporarily impaired at September 30, 2018.

(5) Loans

The following is a summary of loans:

(Dollars in thousands)	September 30, 2018				December 31, 2017	
	Amount		%		Amount	%
Commercial:						
Commercial real estate (1)	$1,240,350		35	%	$1,210,495	36%
Commercial & industrial (2)	656,882		18		612,334	18
Total commercial	1,897,232		53		1,822,829	54
Residential Real Estate:						
Residential real estate (3)	1,349,340		38		1,227,248	36
Consumer:						
Home equity	282,331		8		292,467	9
Other (4)	27="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px (in thousands)		2016		2016	
Property revenues	$	4,357		$	19,184	
Property expenses	(1,750		)	(6,898	)	
	$	2,607		$	12,286	
Property management expense	(66		)	(242	)	
Depreciation and amortization	—			(4,327	)	
Income tax expense	(12		)	(112	)	
Income from discontinued operations	$	2,529		$	7,605	

6. Investments in Joint Ventures

As of June 30, 2017, our equity investments in unconsolidated joint ventures, which are accounted for utilizing the equity method of accounting, consisted of three investment funds (collectively, the "Funds"), with our ownership percentages ranging from 20.0% to 31.3%. We provide property and asset management and other services to the Funds which own operating properties and we may also provide construction and development services to the Funds which own properties under development. One of the Funds, in which we have a 20.0% ownership interest, did not own any properties for any periods presented. The following table summarizes the combined balance sheet and statement of income data for the Funds as of and for the periods presented:

(in millions)	June 30, 2017	December 31, 2016
Total assets	$ 720.3	$ 726.9
Total third-party debt	$ 517.4	$ 518.7
Total equity	$ 182.0	$ 184.0

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Total revenues	$30.4	$29.9	$60.4	$59.5
Net income	$3.7	$3.4	$7.5	$6.3
Equity in income (1)	$1.8	$1.7	$3.6	$3.2

(1) Equity in income excludes our ownership interest of fee income from various services provided by us to the Funds.

The Funds have been funded in part with secured third-party debt and, as of June 30, 2017, we had no outstanding guarantees related to debt of the Funds.

We may earn fees for property and asset management, construction, development, and other services related to joint ventures in which we own an equity interest and may earn a promoted equity interest if certain thresholds are met. We eliminate fee income for services provided to these joint ventures to the extent of our ownership. Fees earned for these services, net of eliminations, were approximately $1.4 million and $1.3 million for the three months ended June 30, 2017 and 2016, respectively, and $2.7 million and $2.6 million for the six months ended June 30, 2017 and 2016, respectively.

7. Notes Payable

The following is a summary of our indebtedness:

(in millions)	June 30, 2017	December 31, 2016
Commercial banks		
Unsecured credit facility	$75.0	$ —
Unsecured short-term borrowings	25.0	—
	$100.0	$ —
Senior unsecured notes (1)		
5.83% Notes, due 2017	$—	$ 246.6
4.78% Notes, due 2021	248.6	248.4
3.15% Notes, due 2022	346.3	346.0
5.07% Notes, due 2023	247.4	247.2
4.36% Notes, due 2024	248.3	248.2
3.68% Notes, due 2024	247.0	246.8
	$1,337.6	$ 1,583.2
Total unsecured notes payable	$1,437.6	$ 1,583.2
Secured notes (1)		
1.67% – 5.77% Conventional Mortgage Notes, due 2018 – 2045	$866.3	$ 866.7
Tax-exempt Mortgage Note	—	30.7
	$866.3	$ 897.4
Total notes payable	$2,303.9	$ 2,480.6
Other floating rate debt included in secured notes (1.67%) (1)	$175.0	$ 175.0

Unamortized debt discounts and debt issuance costs of $13.7 million and $15.7 million are included in senior unsecured and secured notes payable as of June 30, 2017 and December 31, 2016, respectively.

We have a $600 million unsecured credit facility which matures in August 2019, with two six-month options to extend the maturity date at our election to August 2020. Additionally, we have the option to further increase our credit facility to $900 million by either adding additional banks to the facility or obtaining the agreement of the existing banks to increase their commitments. The interest rate on our credit facility is based upon the London Interbank Offered Rate ("LIBOR") plus a margin which is subject to change as our credit ratings change. Advances under our credit facility may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate

Table of Contents

loans have terms of 180 days or less and may not exceed the lesser of $300 million or the remaining amount available under our credit facility. Our credit facility is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations on the date of this filing.

Our credit facility provides us with the ability to issue up to $50 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our credit facility, it does reduce the amount available. At June 30, 2017, we had $75.0 million outstanding on our $600 million credit facility and we had outstanding letters of credit totaling approximately $13.4 million, leaving approximately $511.6 million available under our credit facility.

In May 2017, we used cash and borrowings from our existing unsecured credit facility to repay the principal amount of our 5.83% senior unsecured note payable, which was scheduled to mature on May 15, 2017, for a total of $246.8 million, plus accrued interest. Also, in May 2017, we entered into a $45.0 million unsecured short-term borrowing facility which matures in May 2018. The interest rate is based on LIBOR plus 0.95%. At June 30, 2017, we had $25.0 million outstanding on this unsecured short-term borrowing facility, leaving $20.0 million available under this facility.

In February 2017, we used available cash on-hand to repay our tax-exempt secured note payable of approximately $30.7 million, which was scheduled to mature in 2028. As a result of the early repayment, we expensed approximately $0.3 million of unamortized loan costs and other fees, which are reflected in the loss on early retirement of debt in our condensed consolidated statements of income and comprehensive income.

At June 30, 2017 and 2016, we had outstanding floating rate debt of approximately $275.0 million and $206.7 million, respectively, which included amounts borrowed under our unsecured credit facility and unsecured short-term borrowings. The weighted average interest rate on such debt was approximately 1.8% and 1.4% for the six months ended June 30, 2017 and 2016, respectively.

Our indebtedness had a weighted average maturity of approximately 4.7 years at June 30, 2017. The table below is a summary of the maturity dates of our outstanding debt and principal amortizations, and the weighted average interest rates on such debt, at June 30, 2017:

(in millions) (1)	Amount	Weighted Average Interest Rate
2017 (2)	$(0.6)	—
2018 (3)	198.8	1.7
2019	643.2	5.4
2020 (4)	73.9	1.9
2021	249.1	4.8
Thereafter	1,139.5	4.0
Total	$2,303.9	4.2 %

(1) Includes all available extension options.
(2) Includes amortization of debt discounts and debt issuance costs, net of scheduled principal payments.
(3) Includes the $25.0 million of unsecured short-term borrowings.
(4) Includes the $75.0 million balance outstanding under our unsecured line of credit.

8. Share-Based Compensation and Non-Qualified Deferred Compensation Plan

Incentive Compensation. During the second quarter of 2011, our Board of Trust Managers adopted, and our shareholders approved, the 2011 Share Incentive Plan of Camden Property Trust (as amended, the "2011 Share Plan"). Under the 2011 Share Plan, we may issue up to a total of approximately 9.1 million fungible units (the "Fungible Pool Limit"), which is comprised of approximately 5.8 million new fungible units plus approximately 3.3 million fungible units previously available for issuance under the 2002 Share Incentive Plan of Camden Property Trust based on a 3.45 to 1.0 fungible unit to full value award conversion ratio. Fungible units represent the baseline for the number of shares available for issuance under the 2011 Share Plan. Different types of awards are counted differently against the Fungible Pool Limit, as follows:

- Each share issued or to be issued in connection with an award, other than an option, right or other award which does not deliver the full value at grant of the underlying shares, will be counted against the Fungible Pool Limit as 3.45 fungible pool units;

17

Table of Contents

- Options and other awards which do not deliver the full value at grant of the underlying shares and which expire more than five years from date of grant will be counted against the Fungible Pool Limit as one fungible unit; and
- Options, rights and other awards which do not deliver the full value at grant and expire five years or less from the date of grant will be counted against the Fungible Pool Limit as 0.83 of a fungible unit.

At June 30, 2017, approximately 2.9 million fungible units were available under the 2011 Share Plan, which results in approximately 0.8 million common shares which may be granted pursuant to full value awards based on the 3.45 to 1.0 fungible unit to full value award conversion ratio.

Awards which may be granted under the 2011 Share Plan include incentive share options, non-qualified share options (which may be granted separately or in connection with an option), share awards, dividends and dividend equivalents and other equity based awards. Persons eligible to receive awards under the 2011 Share Plan are trust managers, directors of our affiliates, executive and other officers, key employees and consultants, as determined by the Compensation Committee of our Board of Trust Managers. The 2011 Share Plan will expire on May 11, 2021.

Options. New options are exercisable, subject to the terms and conditions of the 2011 Share Plan, in increments ranging from 20% to 33.33% per year on each of the anniversaries of the date of grant. The 2011 Share Plan provides that the exercise price of an option will be determined by the Compensation Committee of the Board of Trust Managers on the day of grant, and to date all options have been granted at an exercise price that equals the fair market value on the date of grant. Approximately 39,000 options were exercised during the six months ended June 30, 2017, and 0.1 million options were exercised during the six months ended June 30, 2016. The total intrinsic value of options exercised was approximately $2.0 million and $4.7 million during the six months ended June 30, 2017 and 2016, respectively. At June 30, 2017, there was no unrecognized compensation cost related to unvested options. At June 30, 2017, all options outstanding were exercisable and had a weighted average remaining life of approximately 1.4 years.

The following table summarizes outstanding share options, all of which were exercisable, at June 30, 2017:

	Options Outstanding and Exercisable (1)	
Exercise Prices	Number	Weighted Average Price
$30.06	26,114	$ 30.06
$75.17	26,752	75.17
$80.89 - $85.05	27,476	82.84
Total options	80,342	$ 63.13

(1) The aggregate intrinsic value of options outstanding and exercisable at June 30, 2017 was $1.8 million. The aggregate intrinsic value was calculated as the excess, if any, between our closing share price of $85.51 per share on June 30, 2017 and the strike price of the underlying award.

Options Granted and Valuation Assumptions. During the six months ended June 30, 2017, we granted approximately 15,000 reload options. Reload options are granted for the number of shares tendered as payment for the exercise price upon the exercise of an option with a reload provision. The reload options granted have an exercise price equal to the fair market value of a common share on the date of grant and expire on the same date as the original options which were exercised. The reload options granted during the six months ended June 30, 2017, vested immediately and approximately $0.1 million was expensed on the reload date. We estimate the fair values of each option award including reloads on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for the reload options granted during the six months ended June 30, 2017:

	Six Months Ended June 30, 2017
Weighted average fair value of options granted	5.25
Expected volatility	18.9%
Risk-free interest rate	1.3%
Expected dividend yield	5.5%
Expected life	2 years

Table of Contents

Our computation of expected volatility for 2017 is based on the historical volatility of our common shares over a time period equal to the expected life of the option and ending on the grant date, and the interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is based on the historical dividend yield over the expected term of the options granted. Our computation of expected life is based upon historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

Share Awards and Vesting. Share awards for employees generally have a vesting period of three to five years. The compensation cost for share awards is generally based on the market value of the shares on the date of grant and is amortized over the vesting period. In the event the holder of the share awards will reach both the retirement eligibility age of 65 years and the service requirements as defined in the 2011 Share Plan before the term in which the awards are scheduled to vest, the value of the share awards is amortized from the date of grant to the individual's retirement eligibility date. Effective with our adoption of ASU 2016-09 on January 1, 2017, we utilize actual forfeitures rather than estimating forfeitures at the time share-based awards were granted. See Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements," for a further discussion of the adoption and impact of ASU 2016-09 on our consolidated financial statements. At June 30, 2017, the unamortized value of previously issued unvested share awards was approximately $29.9 million, which is expected to be amortized over the next three years. The total fair value of shares vested during the six months ended June 30, 2017 and 2016 was approximately $23.0 million and $22.5 million, respectively.

Total compensation cost for option and share awards charged against income was approximately $4.7 million and $5.2 million for the three months ended June 30, 2017 and 2016, respectively, and approximately $9.5 million and $10.9 million for the six months ended June 30, 2017 and 2016, respectively. Total capitalized compensation cost for option and share awards was approximately $0.9 million and $1.0 million for the three months ended June 30, 2017 and 2016, and approximately $1.9 million for each of the six months ended June 30, 2017 and 2016.

The following table summarizes activity under our share incentive plans for the six months ended June 30, 2017:

	Options Outstanding	Weighted Average Exercise / Grant Price	Nonvested Share Awards Outstanding	Weighted Average Exercise / Grant Price
Options and nonvested share awards outstanding at December 31, 2016	105,066	$ 48.27	604,487	$ 71.03
Granted	14,622	80.89	224,150	83.42
Exercised/Vested	(39,346)	30.06	(319,001)	72.25
Forfeited	—	—	(7,432)	74.31
Total options and nonvested share awards outstanding at June 30, 2017	80,342	$ 63.13	502,204	$ 75.74

Non-Qualified Deferred Compensation Share Awards. Balances within temporary equity in our condensed consolidated balance sheets relate to fully vested awards and the proportionate share of nonvested awards of participants within our Non-Qualified Deferred Compensation Plan who are permitted to diversify their shares into other equity securities subject to a six month holding period. The following table summarizes the eligible share award activity for the six months ended June 30, 2017:

(in thousands)	Six Months Ended June 30,

	2017
Temporary equity:	
Balance at December 31, 2016	$77,037
Change in classification	7,724
Change in redemption value	1,916
Diversification of share awards	(2,627)
Balance at June 30, 2017	$84,050

9. Net Change in Operating Accounts

The effect of changes in the operating and other accounts on cash flows from operating activities is as follows:

Table of Contents

(in thousands)	Six Months Ended June 30, 2017	2016
Change in assets:		
Other assets, net	$(1,819)	$102
Change in liabilities:		
Accounts payable and accrued expenses	(15,453)	(5,942)
Accrued real estate taxes	(482)	1,774
Other liabilities	5,518	17
Other	1,439	1,483
Change in operating accounts and other	$(10,797)	$(2,566)

10. Commitments and Contingencies

Construction Contracts. As of June 30, 2017, we estimate the total additional cost to complete the six consolidated projects currently under construction to be approximately $173.2 million. We expect to fund this amount through a combination of one or more of the following: cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, other unsecured borrowings or secured mortgages.

Other Commitments and Contingencies. In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for acquisitions, dispositions, or joint ventures and also enter into arrangements contemplating various transactions. Such letters of intent and other arrangements are non-binding as to either party unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the purchase or sale of real property are entered into, these contracts generally provide the purchaser with time to evaluate the property and conduct due diligence, during which periods the purchaser will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance definitive contracts will be entered into with respect to any matter covered by letters of intent or we will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. An acquisition or sale of real property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. We are then at risk under a real property acquisition contract, but generally only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a real property sales contract.

Lease Commitments. At June 30, 2017, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately $1.0 million for each of the three months ended June 30, 2017 and 2016, and was approximately $2.0 million for each of the six months ended June 30, 2017 and 2016. Minimum annual rental commitments for the remainder of 2017 are $1.5 million, and for the years ending December 31, 2018 through 2021 are approximately $2.8 million, $2.7 million, $2.7 million, and $2.7 million, respectively, and approximately $9.5 million in the aggregate thereafter.

Investments in Joint Ventures. We have entered into, and may continue in the future to enter into, joint ventures or partnerships, including limited liability companies, through which we own an indirect economic interest in less than 100% of the community or land owned directly by the joint venture or partnership. Our decision whether to hold the entire interest in an apartment community or land ourselves, or to have an indirect interest in the community or land through a joint venture or partnership, is based on a variety of factors and considerations, including: (i) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture or partnership vehicle is used; (ii) our desire to diversify our portfolio of investments by market; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) the economic and tax terms required by a seller of land or of a community, who may prefer or who may require less payment if the land or community is contributed to a joint venture or partnership. Investments in joint ventures or partnerships are not limited to a specified percentage of our assets. Each joint venture or partnership agreement is individually negotiated, and our ability to operate or dispose of land or of a community in our sole discretion may be limited to varying degrees in our existing joint venture agreements and may be limited to varying degrees depending on the terms of future joint venture agreements.

Table of Contents

11. Income Taxes

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90% of our adjusted taxable income. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level to the extent such income is distributed to our shareholders annually. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at regular corporate rates, including any applicable alternative minimum tax. In addition, we may not be able to requalify as a REIT for the four subsequent taxable years. Historically, we have incurred only state and local income, franchise, and excise taxes. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income taxes. Our consolidated operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

We have recorded income, franchise, and excise taxes in the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2017 and 2016 as income tax expense. The income tax expense for the three and six months ended June 30, 2017 also included a tax benefit which related to a state income tax refund received of approximately $0.5 million. Income taxes for the three and six months ended June 30, 2017 primarily related to state income tax and federal taxes on certain of our taxable REIT subsidiaries. We have no significant temporary or permanent differences or tax credits associated with our taxable REIT subsidiaries. We believe we have no uncertain tax positions or unrecognized tax benefits requiring disclosure as of and for the three and six months ended June 30, 2017.

12. Fair Value Measurements

Recurring Fair Value Measurements. The following table presents information about our financial instruments measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016 using the inputs and fair value hierarchy discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements":

Financial Instruments Measured at Fair Value on a Recurring Basis

	June 30, 2017				December 31, 2016			
(in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets								
Deferred compensation plan investments (1)	$91.6	$ —	$ —	$91.6	$80.6	$ —	$ —	$80.6

(1) Approximately $3.0 million and $8.3 million of participant cash was withdrawn from our deferred compensation plan investments during the six months ended June 30, 2017 and the year ended December 31, 2016, respectively. Approximately $2.6 million and $25.4 million of shares in the compensation plan were diversified into the deferred compensation plan investments during the six months ended June 30, 2017 and the year ended December 31, 2016,

respectively.

Non-Recurring Fair Value Disclosures. There were no events during the three or six month periods ended June 30, 2017 or 2016 which required fair value adjustments of our non-financial assets and non-financial liabilities.

Financial Instrument Fair Value Disclosures. The following table presents the carrying and estimated fair values of our notes payable at June 30, 2017 and December 31, 2016, in accordance with the policies discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."

Table of Contents

(in millions)	June 30, 2017 Carrying Value	June 30, 2017 Estimated Fair Value	December 31, 2016 Carrying Value	December 31, 2016 Estimated Fair Value
Fixed rate notes payable	$2,028.9	$2,109.8	$2,274.9	$2,347.0
Floating rate notes payable (1)	275.0	271.8	205.7	200.5

(1) Includes balances outstanding under our unsecured credit facility and unsecured short-term borrowings at June 30, 2017.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
The following discussion should be read in conjunction with the condensed consolidated financial statements and notes appearing elsewhere in this report, as well as Part I, Item 1A, "Risk Factors" within our Annual Report on Form 10-K for the year ended December 31, 2016. Historical results and trends which might appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

We consider portions of this report to be "forward-looking" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to our expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions, or other items relating to the future; forward-looking statements are not guarantees of future performance, results, or events. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance our expectations will be achieved. Any statements contained herein which are not statements of historical fact should be deemed forward-looking statements. Reliance should not be placed on these forward-looking statements as these statements are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

Factors which may cause our actual results or performance to differ materially from those contemplated by forward-looking statements include, but are not limited to, the following:

- Volatility in capital and credit markets, or other unfavorable changes in economic conditions, either nationally or regionally in one or more of the markets in which we operate, could adversely impact us;
- Short-term leases expose us to the effects of declining market rents;
- Competition could limit our ability to lease apartments or increase or maintain rental income;
- We face risks associated with land holdings and related activities;
- Potential reforms to Fannie Mae and Freddie Mac could adversely affect us;
- Development, redevelopment and construction risks could impact our profitability;
- Investments through joint ventures and discretionary funds involve risks not present in investments in which we are the sole investor;
- Competition could adversely affect our ability to acquire properties;
- Our acquisition strategy may not produce the cash flows expected;
- Failure to qualify as a REIT could have adverse consequences;
- Tax laws and related interpretations may change at any time, and any such legislative or other actions could have a negative effect on us;
- Litigation risks could affect our business;
- Damage from catastrophic weather and other natural events could result in losses;
- A cybersecurity incident and other technology disruptions could negatively impact our business;
- We have significant debt, which could have adverse consequences;
- Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders;
- Issuances of additional debt may adversely impact our financial condition;
- We may be unable to renew, repay, or refinance our outstanding debt;
- Rising interest rates could both increase our borrowing costs, thereby adversely affecting our cash flows and the amounts available for distribution to our shareholders, and decrease our share price, if investors seek higher yields through other investments;
- Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets;
- Share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders;

- Our share price will fluctuate; and
- The form, timing and amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.

These forward-looking statements represent our estimates and assumptions as of the date of this report, and we assume no obligation to update or supplement forward-looking statements because of subsequent events.

Table of Contents

Executive Summary

We are primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. Overall, we focus on investing in markets characterized by high-growth economic conditions, strong employment, and attractive quality of life which we believe leads to higher demand and retention of our apartments. As of June 30, 2017, we owned interests in, operated, or were developing 161 multifamily properties comprised of 55,644 apartment homes across the United States. In addition, we own other land holdings which we may develop into multifamily apartment communities in the future.

Property Operations

Our results for the three and six months ended June 30, 2017 reflect increases in same store revenues of 3.1% and 3.0% as compared to the same period in 2016, respectively. These increases were due to higher average rental rates and increased other property income. We believe this sustained increase in our property results was primarily attributable to improving job growth, favorable demographics, a manageable supply of new multifamily housing, and in part to more individuals choosing to rent versus buy as evidenced by the continued low level of homeownership rates, all of which have resulted in higher rental rates. We believe the continued low levels of homeownership rates are mainly attributable to difficulties in obtaining mortgage loans as well as changing demographic trends, both of which promote apartment rentals. We also believe U.S. economic and employment growth is likely to continue during the remainder of 2017 and the supply of new multifamily homes, although increasing, will likely remain at manageable levels. If economic conditions were to worsen, our operating results could be adversely affected.

Construction Activity

At June 30, 2017, we had six projects under construction to be comprised of 1,873 apartment homes, with initial occupancy scheduled to occur within the next 18 months. As of June 30, 2017, we estimate the total additional cost to complete the construction of these six projects to be approximately $173.2 million.

Acquisitions

Operating properties: In June 2017, we completed an asset acquisition of one operating property, Camden Buckhead Square, comprised of 250 apartment homes, located in Atlanta, Georgia for approximately $58.3 million.

Land: In April 2017, we acquired approximately 8.2 acres of land in San Diego, California for $20.0 million.

Other

Subsequent to quarter end, we entered into a sales contract for the sale of one operating property, comprised of 1,005 apartment homes located in Corpus Christi, Texas. Closing of this potential sale is not guaranteed and is subject to, among other items, the satisfactory due diligence and financing by the purchaser.

Future Outlook

Subject to market conditions, we intend to continue to seek opportunities to develop, redevelop and acquire existing communities. We also intend to evaluate our operating property and land development portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise. We expect to strengthen our capital and liquidity positions by continuing to focus on our core fundamentals which we believe are generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs. We intend to meet our near-term liquidity requirements through a combination of one or more of the following: cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our at-the-market ("ATM") share offering program, other unsecured borrowings or secured mortgages.

As of June 30, 2017, we had approximately $16.3 million in cash and cash equivalents, $511.6 million available under our $600 million unsecured credit facility, and $20.0 million available under our $45.0 million unsecured short-term borrowing facility, and we have no debt maturing through the remainder of 2017. As of the date of this filing, we had common shares having an aggregate offering price of up to $315.3 million remaining available for sale under our 2017 ATM program. We believe we are well-positioned with a strong balance sheet and sufficient liquidity to cover new development, redevelopment, and other capital funding requirements. We will, however, continue to assess and take further actions we believe are prudent to meet our objectives and capital requirements.

24

Table of Contents

Property Portfolio

Our multifamily property portfolio is summarized as follows:

	June 30, 2017		December 31, 2016	
	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties				
Houston, Texas	8,434	24	8,434	24
Washington, D.C. Metro	6,040	17	5,635	16
Dallas, Texas	5,666	14	5,666	14
Atlanta, Georgia	4,496	14	4,246	13
Austin, Texas	3,360	10	3,360	10
Charlotte, North Carolina	3,076	13	2,753	12
Raleigh, North Carolina	3,054	8	3,054	8
Orlando, Florida	2,962	8	2,962	8
Phoenix, Arizona	2,929	10	2,929	10
Southeast Florida	2,781	8	2,781	8
Los Angeles/Orange County, California	2,658	7	2,658	7
Tampa, Florida	2,378	6	2,378	6
Denver, Colorado	2,365	7	2,365	7
Corpus Christi, Texas	1,907	4	1,907	4
San Diego/Inland Empire, California	1,665	5	1,665	5
Total Operating Properties	53,771	155	52,793	152
Properties Under Construction				
Washington, D.C. Metro	822	2	1,227	3
Phoenix, Arizona	441	1	441	1
Houston, Texas	315	1	315	1
Denver, Colorado	267	1	267	1
Charlotte, North Carolina	28	1	323	1
Total Properties Under Construction	1,873	6	2,573	7
Total Properties	55,644	161	55,366	159
Less: Unconsolidated Joint Venture Properties (1)				
Houston, Texas	2,522	8	2,522	8
Austin, Texas	1,360	4	1,360	4
Dallas, Texas	1,250	3	1,250	3
Tampa, Florida	450	1	450	1
Raleigh, North Carolina	350	1	350	1
Orlando, Florida	300	1	300	1
Washington, D.C. Metro	281	1	281	1
Corpus Christi, Texas	270	1	270	1
Charlotte, North Carolina	266	1	266	1
Atlanta, Georgia	234	1	234	1
Total Unconsolidated Joint Venture Properties	7,283	22	7,283	22
Total Properties Fully Consolidated	48,361	139	48,083	137

(1) Refer to Note 6, "Investments in Joint Ventures," in the notes to Condensed Consolidated Financial Statements for further discussion of our joint venture investments.

25

Table of Contents

Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy. During the three months ended June 30, 2017, stabilization was achieved at one consolidated operating property as follows:

Property and Location	Number of Apartment Homes	Date of Construction Completion	Date of Stabilization
Consolidated Operating Property			
Camden Gallery			
Charlotte, NC	323	1Q17	2Q17

Completed Construction in Lease-Up

At June 30, 2017, we had two consolidated completed operating properties in lease-up as follows:

($ in millions) Property and Location	Number of Apartment Homes	Cost Incurred (1)	% Leased at 7/26/2017	Date of Construction Completion	Estimated Date of Stabilization
Camden Victory Park					
Dallas, TX	423	$ 84.9	95 %	3Q16	3Q17
Camden NoMa II					
Washington, DC	405	106.1	51%	2Q17	3Q19
Total	828	$ 191.0			

(1) Excludes leasing costs, which are expensed as incurred.

Properties Under Development and Land

Our condensed consolidated balance sheet at June 30, 2017 included approximately $373.3 million related to properties under development and land. Of this amount, approximately $223.7 million related to our projects currently under construction. In addition, we had approximately $138.5 million invested primarily in land held for future development related to projects we expect to begin constructing during the next two years and approximately $11.1 million invested in land which we may develop in the future.

Communities Under Construction. At June 30, 2017, we had six consolidated properties in various stages of construction as follows:

($ in millions) Property and Location	Number of Apartment Homes	Estimated Cost	Cost Incurred	Included in Properties Under Development	Estimated Date of Construction Completion	Estimated Date of Stabilization
Camden Lincoln Station (1)						
Denver, CO	267	$ 56.0	$ 55.1	$ 13.7	3Q17	1Q18
Camden Shady Grove (2)						
Rockville, MD	457	116.0	107.3	67.6	1Q18	4Q19
Camden McGowen Station						
Houston, TX	315	90.0	52.2	52.2	2Q18	3Q19
Camden Washingtonian						
Gaithersburg, MD	365	90.0	46.1	46.1	4Q18	4Q19
Camden North End I						
Phoenix, AZ	441	105.0	36.2	36.2	2Q19	2Q20
Camden Grandview II						
Charlotte, NC	28	21.0	7.9	7.9	4Q18	2Q19
Total	1,873	$ 478.0	$ 304.8	$ 223.7		

(1) Property in lease-up and was 74% leased at July 26, 2017.
(2) Property in lease-up and was 29% leased at July 26, 2017.

26

Table of Contents

Development Pipeline Communities. At June 30, 2017, we had the following consolidated communities undergoing development activities:

($ in millions) Property and Location	Projected Homes	Total Estimated Cost (1)	Cost to Date
Camden Buckhead (2)			
Atlanta, GA	375	$ 104.0	$17.0
Camden RiNo			
Denver, CO	230	70.0	19.1
Camden Downtown I (3)			
Houston, TX	271	125.0	13.3
Camden Atlantic			
Plantation, FL	269	90.0	14.8
Camden Arts District			
Los Angeles, CA	354	150.0	18.0
Camden Uptown			
San Diego, CA	125	75.0	21.8
Camden Gallery II			
Charlotte, NC	5	3.0	1.1
Camden North End II			
Phoenix, AZ	326	73.0	11.8
Camden Paces III			
Atlanta, GA	350	100.0	11.8
Camden Downtown II (3)			
Houston, TX	271	145.0	9.8
Total	2,576	$ 935.0	$138.5

(1) Represents our estimate of total costs we expect to incur on these projects. However, forward-looking statements are not guarantees of future performance, results, or events. Although we believe these expectations are based upon reasonable assumptions, future events rarely develop exactly as forecasted, and estimates routinely require adjustment.
(2) Camden Buckhead is Phase 2 of our Paces development.
(3) Camden Downtown I/II was formerly referred to as Camden Conte.

Land Holdings. At June 30, 2017, we had the following investment in land:

($ in millions) Location	Acres	Cost to Date
Phoenix, AZ	14.0	$11.1

Results of Operations

Changes in revenues and expenses related to our operating properties from period to period are due primarily to the performance of stabilized properties in the portfolio, the lease-up of newly constructed properties, acquisitions, and dispositions. Where appropriate, comparisons of income and expense for communities included in continuing operations are made on a dollars-per-weighted average apartment home basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted averages for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Average monthly property revenue per apartment home	$1,617	$1,540	$1,609	$1,531
Annualized total property expenses per apartment home	$6,979	$6,688	$6,967	$6,583
Weighted average number of operating apartment homes owned 100%	46,053	47,943	45,882	47,789
Weighted average occupancy of operating apartment homes owned 100% *	95.3 %	95.4 %	95.0 %	95.4 %

*Our one student housing community is excluded from this calculation.

Table of Contents

Management considers property net operating income ("NOI") to be an appropriate supplemental measure of operating performance to net income because it reflects the operating performance of our communities without allocation of corporate level property management overhead or general and administrative costs. We define NOI as total property income less property operating and maintenance expenses less real estate taxes. NOI is further detailed in the Property-Level NOI table as seen below. NOI is not defined by accounting principles generally accepted in the United States of America ("GAAP") and should not be considered an alternative to net income as an indication of our operating performance. Additionally, NOI as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income to NOI for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2017	2016	2017	2016
Net income	$40,314	$449,785	$76,303	$492,725
Less: Fee and asset management income	(1,942)	(1,791)	(3,690)	(3,556)
Less: Interest and other income	(560)	(215)	(1,194)	(439)
Less: Income on deferred compensation plans	(3,441)	(1,224)	(8,058)	(1,287)
Plus: Property management expense	6,554	6,417	13,581	13,557
Plus: Fee and asset management expense	961	998	1,845	1,950
Plus: General and administrative expense	12,451	11,803	25,319	24,026
Plus: Interest expense	21,966	23,070	44,922	46,860
Plus: Depreciation and amortization expense	65,033	62,456	128,767	124,547
Plus: Expense on deferred compensation plans	3,441	1,224	8,058	1,287
Plus: Loss on early retirement of debt	—	—	323	—
Less: Gain on sale of operating properties, including land	—	(32,235)	—	(32,678)
Less: Equity in income of joint ventures	(1,785)	(1,689)	(3,602)	(3,186)
Plus: Income tax expense	25	489	496	804
Less: Income from discontinued operations	—	(2,529)	—	(7,605)
Less: Gain on sale of discontinued operations, net of tax	—	(375,237)	—	(375,237)
Net operating income	$143,017	$141,322	$283,070	$281,768

Property-Level NOI (1)

Property NOI, as reconciled above, is detailed further into the following categories for the three and six months ended June 30, 2017 as compared to the same period in 2016 :

($ in thousands)	Apartment Homes at	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	6/30/2017	2017	2016	$	%	2017	2016	$	%
Property revenues:									
Same store communities	41,988	$199,884	$193,896	$5,988	3.1 %	$396,193	$384,649	$11,544	3.0 %
Non-same store communities	3,672	18,667	13,182	5,485	41.6	38,171	26,125	12,046	46.1
Development and lease-up communities	2,701	3,380	380	3,000	*	5,534	432	5,102	*
Dispositions/other	—	1,439	14,020	(12,581)	(89.7)	2,993	27,867	(24,874)	(89.3)
Total property revenues	48,361	$223,370	$221,478	$1,892	0.9 %	$442,891	$439,073	$3,818	0.9 %
Property expenses:									
Same store communities	41,988	$71,313	$70,393	$920	1.3 %	$143,013	$138,599	$4,414	3.2 %
	3,672	6,790	4,818	1,972	40.9	12,956	9,071	3,885	42.8

Non-same store communities											
Development and lease-up communities	2,701	1,731	280	1,451	*		2,863	357	2,506		*
Dispositions/other	—	519	4,665	(4,146)	(88.9)		989	9,278	(8,289	)	(89.3)
Total property expenses	48,361	$80,353	$80,156	$197	0.2	%	$159,821	$157,305	$2,516		1.6 %

28

Table of Contents

($ in thousands)	Apartment Homes at	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	6/30/2017	2017	2016	$	%	2017	2016	$	%
Property NOI:									
Same store communities	41,988	$128,571	$123,503	$5,068	4.1 %	$253,180	$246,050	$7,130	2.9 %
Non-same store communities	3,672	11,877	8,364	3,513	42.0	25,215	17,054	8,161	47.9
Development and lease-up communities	2,701	1,649	100	1,549	*	2,671	75	2,596	*
Dispositions/other	—	920	9,355	(8,435)	(90.2)	2,004	18,589	(16,585)	(89.2)
Total property NOI	48,361	$143,017	$141,322	$1,695	1.2 %	$283,070	$281,768	$1,302	0.5 %

*Not a meaningful percentage.

(1) Same store communities are communities we owned and were stabilized as of January 1, 2016, excluding assets held for sale. Non-same store communities are stabilized communities not owned or stabilized as of January 1, 2016, excluding assets held for sale. Management believes same store information is useful as it allows both management and investors to determine financial results over a particular period for the same set of communities. Development and lease-up communities are non-stabilized communities we have acquired or developed since January 1, 2016, excluding assets held for sale. Dispositions/other includes those communities disposed of or held for sale which are not classified as discontinued operations. Other includes non-multifamily rental properties and expenses related to land holdings not under active development.

Same Store Analysis

Same store property NOI increased approximately $5.1 million and $7.1 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were due to increases of approximately $6.0 million and $11.5 million in same store property revenues for the three and six months ended June 30, 2017, respectively, partially offset by increases of approximately $0.9 million and $4.4 million in same store property expenses for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases in same store property revenues were due in part to increases in same store rental revenues of approximately $4.1 million and $7.7 million during the three and six months ended June 30, 2017, respectively, which were primarily due to a 2.4% increase in average rental rates during each of the three and six months ended June 30, 2017, as compared to the same periods in 2016, and partially offset by a slight decrease in average occupancy. These increases in same store property revenues were also due to increases of approximately $1.9 million and $3.8 million in other property revenue during the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016, primarily due to increases in income from our bulk internet rebilling program.

The $0.9 million and $4.4 million increase in same store property expenses during the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016, were primarily due to higher bulk internet rebilling program expenses, higher real estate taxes as a result of increased property valuations at a number of our communities, and higher property insurance expenses. These increases were partially offset by lower salaries and benefit expenses for the three and six months ended June 30, 2017 as compared to the same periods in 2016.

Non-same Store and Development and Lease-up Analysis

Property NOI from non-same store and development and lease-up communities increased approximately $5.1 million and $10.8 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were due to increases of approximately $8.5 million and $17.1 million in revenues for the three and six months ended June 30, 2017, respectively, partially offset by increases of approximately $3.4 million and $6.4 million in expenses for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases in property revenues and expenses from our non-same store communities were primarily due to six operating properties reaching stabilization during 2016 and the six months ended June 30, 2017 and the acquisition of one operating property in June 2017. These increases in property revenues and expenses from our development and lease-up communities were primarily due to the completion and partial lease up of two properties during 2016 and the six months ended June 30, 2017, and the partial lease-up of two properties which were under construction at June 30, 2017.

Dispositions/Other Property Analysis

Dispositions/other property NOI decreased approximately $8.4 million and $16.6 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These decreases were primarily due to the disposition of one dual-phase operating property and six other operating properties in 2016.

Table of Contents

Non-Property Income

($ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2017	2016	$	%	2017	2016	$	%
Fee and asset management	$1,942	$1,791	$151	8.4 %	$3,690	$3,556	$134	3.8 %
Interest and other income	560	215	345	*	1,194	439	755	*
Income on deferred compensation plans	3,441	1,224	2,217	*	8,058	1,287	6,771	*
Total non-property income	$5,943	$3,230	$2,713	84.0%	$12,942	$5,282	$7,660	145.0%

* Not a meaningful percentage.

Fee and asset management income increased approximately $0.2 million and $0.1 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were primarily due to an increase in third-party construction activity.

Interest and other income increased approximately $0.3 million and $0.8 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were due to higher interest income earned on investments in cash and cash equivalents due to an increase in average cash balances during the three and six months ended June 30, 2017 as compared to the same periods in 2016.

Our deferred compensation plans recognized income of approximately $3.4 million and $1.2 million during the three months ended June 30, 2017 and 2016, respectively, and approximately $8.1 million and $1.3 million during the six months ended June 30, 2017 and 2016, respectively. The changes were related to the performance of the investments held in deferred compensation plans for participants and were directly offset by the expense related to these plans, as discussed below.

Other Expenses

($ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2017	2016	$	%	2017	2016	$	%
Property management	$6,554	$6,417	$137	2.1 %	$13,581	$13,557	$24	0.2 %
Fee and asset management	961	998	(37)	(3.7)	1,845	1,950	(105)	(5.4)
General and administrative	12,451	11,803	648	5.5	25,319	24,026	1,293	5.4
Interest	21,966	23,070	(1,104)	(4.8)	44,922	46,860	(1,938)	(4.1)
Depreciation and amortization	65,033	62,456	2,577	4.1	128,767	124,547	4,220	3.4
Expense on deferred compensation plans	3,441	1,224	2,217	*	8,058	1,287	6,771	*
Total other expenses	$110,406	$105,968	$4,438	4.2 %	$222,492	$212,227	$10,265	4.8 %

* Not a meaningful percentage.

Property management expense, which represents regional supervision and accounting costs related to property operations, increased approximately $0.1 million for the three months ended June 30, 2017, and was relatively flat for the six months ended June 30, 2017, as compared to the same periods in 2016. Property management expense was 2.9% of total property revenues for each of the three months ended June 30, 2017 and 2016, and was 3.1% of total property revenues for each of the six months ended June 30, 2017 and 2016.

General and administrative expense increased approximately $0.6 million and $1.3 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were primarily due to higher salary and benefit costs, higher professional expenses and other discretionary expenses as compared to the same periods in 2016. General and administrative expenses were 5.5% and 5.3% of total property revenues and non-property income, excluding income on deferred compensation plans, for the three months ended June 30, 2017 and 2016, respectively, and were 5.7% and 5.4% of total property revenues and non-property income, excluding income on deferred compensation plans, for the six months ended June 30, 2017 and 2016, respectively.

Interest expense for the three and six months ended June 30, 2017 decreased approximately $1.1 million and $1.9 million, respectively, as compared to the same periods in 2016. These decreases were primarily due to the repayment of $246.8 million, 5.83% senior unsecured notes payable in May 2017, and lower interest expense recognized on our unsecured credit facility during the three and six months ended June 30, 2017, as compared to the same periods in 2016. These decreases were partially offset by lower capitalized interest during the three and six months ended June 30, 2017 resulting from lower average balances in our development pipeline.

Depreciation and amortization expense increased approximately $2.6 million and $4.2 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were primarily due to the completion of units in our development pipeline, the completion of repositions, and increases in capital improvements placed in service during 2017 and 2016. These increases were partially offset by a decrease in depreciation expense related to the disposition of one dual-phased operating property and six other operating properties in 2016.

Our deferred compensation plans incurred expenses of approximately $3.4 million and $1.2 million during the three months ended June 30, 2017 and 2016, respectively, and approximately $8.1 million and $1.3 million during the six months ended June 30, 2017 and 2016, respectively. The changes were related to the performance of the investments held in deferred compensation plans for participants and were directly offset by the income related to these plans, as discussed in the non-property income section above.

Other

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Loss on early retirement of debt	$—	$—	$—	— %	$(323)	$—	$(323)	100.0 %
Gain on sale of operating properties, including land	$—	$32,235	$(32,235)	100.0%	$—	$32,678	$(32,678)	— %
Equity in income of joint ventures	$1,785	$1,689	$96	5.7%	$3,602	$3,186	$416	13.1%
Income tax expense	$(25)	$(489)	$464	94.9%	$(496)	$(804)	$308	38.3%

The $0.3 million loss on early retirement of debt during the six months ended June 30, 2017 related to the early retirement of our $30.7 million tax-exempt secured note payable which was scheduled to mature in 2028. The loss on early retirement of debt includes the applicable unamortized loan costs and other fees expensed related to this notes payable.

The $32.2 million gain on sale during the three months ended June 30, 2016 related to the sale of one operating property located in Tampa, Florida for approximately $39.0 million. During the six months ended June 30, 2016, we also recognized an approximate $0.4 million gain related to the sale of 6.3 acres of land adjacent to an operating property in Tampa, Florida for $2.2 million. There were no sales completed during the three or six months ended June 30, 2017.

Income tax expense decreased approximately $0.5 million and $0.3 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These decreases were primarily due to an approximate $0.5 million state income tax refund received during the three months ended June 30, 2017.

Equity in income of joint ventures increased approximately $0.1 million and $0.4 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. These increases were primarily due to an increase in earnings resulting from the operating properties owned by the Funds.

Funds from Operations ("FFO") and Adjusted FFO ("AFFO")

Management considers FFO and AFFO to be appropriate measures of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts ("NAREIT") currently defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) associated with the sale of previously depreciated operating properties, real estate depreciation and amortization, impairments of depreciable assets, and adjustments for unconsolidated joint ventures to reflect FFO on the same basis. Our calculation of diluted FFO also assumes conversion of all potentially dilutive securities, including certain non-controlling interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties, and depreciation, FFO can assist in the comparison of the operating performance of a company's real estate investments between periods or to different companies.

Table of Contents

AFFO is calculated utilizing FFO less recurring capitalized expenditures which are necessary to help preserve the value of and maintain the functionality at our communities. We also consider AFFO to be a useful supplemental measure because it is frequently used by analysts and investors to evaluate a REIT's operating performance between periods or different companies. Our definition of recurring capital expenditures may differ from other REITs, and there can be no assurance our basis for computing this measure is comparable to other REITs.

To facilitate a clear understanding of our consolidated historical operating results, we believe FFO and AFFO should be examined in conjunction with net income attributable to common shareholders as presented in the condensed consolidated statements of income and comprehensive income and data included elsewhere in this report. FFO and AFFO are not defined by GAAP and should not be considered alternatives to net income attributable to common shareholders as an indication of our operating performance. Additionally, FFO and AFFO as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income attributable to common shareholders to FFO and AFFO for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2017	2016	2017	2016
Funds from operations				
Net income attributable to common shareholders	$39,188	$446,302	$74,049	$488,032
Real estate depreciation and amortization, including discontinued operations	63,450	60,945	125,603	125,757
Adjustments for unconsolidated joint ventures	2,214	2,320	4,427	4,678
Gain on sale of discontinued operations, net of tax	—	(375,237)	—	(375,237)
Gain on sale of operating properties, net of tax	—	(32,235)	—	(32,235)
Income allocated to non-controlling interests	1,126	3,483	2,254	4,693
Funds from operations	$105,978	$105,578	$206,333	$215,688
Less: recurring capitalized expenditures	(16,775)	(15,069)	(26,469)	(24,363)
Adjusted funds from operations	$89,203	$90,509	$179,864	$191,325
Weighted average shares – basic	90,105	89,559	90,015	89,451
Incremental shares issuable from assumed conversion of:				
Common share options and awards granted	131	303	175	329
Common units	1,883	1,891	1,884	1,893
Weighted average shares – diluted	92,119	91,753	92,074	91,673

Liquidity and Capital Resources

Financial Condition and Sources of Liquidity

We intend to maintain a strong balance sheet and preserve our financial flexibility, which we believe should enhance our ability to identify and capitalize on investment opportunities as they become available. We intend to maintain what management believes is a conservative capital structure by:

- extending and sequencing the maturity dates of our debt where practicable;
- managing interest rate exposure using what management believes to be prudent levels of fixed and floating rate debt;
- maintaining what management believes to be conservative coverage ratios; and
- using what management believes to be a prudent combination of debt and equity.

Our interest expense coverage ratio, net of capitalized interest, was approximately 5.7 and 5.5 times for the three months ended June 30, 2017 and 2016, respectively, and 5.5 times for each of the six months ended June 30, 2017 and

2016. This ratio is a method for calculating the amount of operating cash flows available to cover interest expense and is calculated by dividing interest expense for the period into the sum of property revenues and expenses, non-property income, other expenses and income from discontinued operations, after adding back depreciation, amortization, and interest expense from both continuing

32

Table of Contents

and discontinued operations. Approximately 80.1% and 79.0% of our properties were unencumbered at June 30, 2017 and 2016, respectively. Our weighted average maturity of debt was approximately 4.7 years at June 30, 2017.

We also intend to strengthen our capital and liquidity positions by continuing to focus on our core fundamentals, which we believe are generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs.

Our primary source of liquidity is cash flows generated from operations. Other sources may include one or more of the following: availability under our unsecured credit facility and other short-term borrowings, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, other unsecured borrowings or secured mortgages. We believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash needs during 2017 including:

- normal recurring operating expenses;
- current debt service requirements;
- recurring and non-recurring capital expenditures;
- reposition expenditures;
- funding of property developments, redevelopments, acquisitions, and joint venture investments; and
- the minimum dividend payments required to maintain our REIT qualification under the Code.

Factors which could increase or decrease our future liquidity include but are not limited to volatility in capital and credit markets, sources of financing, the minimum REIT dividend requirements, our ability to complete asset purchases, sales, or developments, the effect our debt level and changes in credit ratings could have on our costs of funds, and our ability to access capital markets.

Cash Flows

The following is a discussion of our cash flows for the six months ended June 30, 2017 and 2016.

Net cash from operating activities was approximately $203.4 million during the six months ended June 30, 2017 as compared to approximately $222.1 million for the same period in 2016. The decrease was primarily due to lower property-level net operating income, primarily due to the disposition of 15 operating properties, a retail center, and approximately 19.6 acres of land classified as discontinued operations, and the disposition of one dual-phased operating property and six other operating properties during 2016. The decrease was also due to higher cash bonuses paid to employees as compared to 2016. The decrease was partially offset by a growth in revenues attributable to increased rental rates at our same store communities and growth in the number of non-same store properties resulting from six operating properties reaching stabilization during 2016 and the first six months of 2017, the completion and partial lease-up of two operating properties during 2016 and the first six months of 2017, the partial lease-up of two properties which were under construction at June 30, 2017, and the acquisition of one operating property in 2017. See further discussions of our 2017 operations as compared to 2016 in "Results of Operations."

Net cash used in investing activities during the six months ended June 30, 2017 totaled approximately $109.0 million as compared to net cash from investing activities of approximately $497.7 million for the same period in 2016. During the first six months of 2017, we had cash outflows for property development and capital improvements of approximately $148.0 million during the six months ended June 30, 2017. We also acquired an operating property located in Atlanta, Georgia for approximately $58.3 million, and had increases of $0.9 million in notes receivable balances outstanding on our real estate secured loan to an unaffiliated third party. These outflows were partially offset by receipts of $100.0 million from the maturity of a short-term investment. For the six months ended June 30, 2016, we received approximately $623.0 million from the sale of 15 operating properties, a retail center, and approximately 19.6 acres of land classified as discontinued operations, as well as $40.1 million from the sale of one operating property and one land holding. Cash outflows for property development and capital improvements were approximately $158.5 million. The decrease in property development and capital improvements for the three months ended June 30, 2017, as compared to the same period in 2016, was primarily due to the completion of five consolidated operating properties in 2016 and in the six months ended June 30, 2017, and the completion of repositions at several of our operating properties. The property development and capital improvements during the six months ended June 30, 2017 and 2016, included the following:

Table of Contents

(in millions)	Six Months Ended June 30, 2017	2016
Expenditures for new development, including land	$92.3	$101.0
Capitalized interest, real estate taxes, and other capitalized indirect costs	13.0	15.4
Reposition expenditures	13.2	12.4
Capital expenditures	29.5	29.7
Total	$148.0	$158.5

During the six months ended June 30, 2016, cash outflows also included increases of $6.0 million in notes receivable balances outstanding on our real estate secured loans to unaffiliated third parties.

Net cash used in financing activities totaled approximately $315.6 million for the six months ended June 30, 2017 as compared to approximately $373.1 million during the same period in 2016. During the six months ended June 30, 2017, we repaid our 5.83% senior unsecured note payable of approximately $246.8 million, as well as our tax-exempt secured note payable of approximately $30.7 million. We also used approximately $138.5 million to pay distributions to common shareholders and non-controlling interest holders. These cash outflows were partially offset by net proceeds from our unsecured line of credit and other short-term borrowings of $100.0 million. During the six months ended June 30, 2016, we had payments, net of proceeds, of $244.0 million on our unsecured credit facility and other short-term borrowings. We also used approximately $133.3 million to pay distributions to common shareholders and non-controlling interest holders.

Financial Flexibility

We have a $600 million unsecured credit facility which matures in August 2019, with two six-month options to extend the maturity date at our election to August 2020. Additionally, we have the option to further increase our credit facility to $900 million by either adding additional banks to the facility or obtaining the agreement of the existing banks to increase their commitments. The interest rate on our credit facility is based upon the London Interbank Offered Rate ("LIBOR") plus a margin which is subject to change as our credit ratings change. Advances under our credit facility may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of 180 days or less and may not exceed the lesser of $300 million or the remaining amount available under our credit facility. Our credit facility is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations on the date of this filing.

Our credit facility provides us with the ability to issue up to $50 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our credit facility, it does reduce the amount available. At June 30, 2017, we had $75.0 million outstanding on our credit facility and we had outstanding letters of credit totaling approximately $13.4 million, leaving approximately $511.6 million available under our credit facility.

We also have a $45.0 million unsecured short-term borrowing facility which matures in May 2018. The interest rate is based on LIBOR plus 0.95%. At June 30, 2017, we had $25.0 million outstanding on this unsecured short-term borrowing facility, leaving $20.0 million available under this facility.

We currently have an automatic shelf registration statement which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration of Trust provides we may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares. At June 30, 2017, we had approximately 87.7 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

In May 2017, we created an at-the market ("ATM") share offering program through which we can, but have no obligation to, sell common shares having an aggregate offering price of up to $315.3 million (the "2017 ATM program"), in amounts and at times as we determine, into the existing trading market at current market prices as well as through negotiated transactions. Actual sales from time to time may depend on a variety of factors including, among others, market conditions, the trading price of our common shares, and determinations by management of the appropriate sources of funding for us. The proceeds from the sale of our common shares under the 2017 ATM program are intended to be used for general corporate purposes, which may include reducing future borrowings under our $600 million unsecured line of credit, the repayment of other indebtedness, the redemption or other repurchase of outstanding debt or equity securities, funding for development activities, and financing for acquisitions. As of the date of this filing, we had common shares having an aggregate offering price of up to $315.3 million remaining available for sale under the 2017 ATM program. No additional shares under the 2017 ATM program were sold subsequent to June 30, 2017 through the date of this filing.

Table of Contents

We believe our ability to access capital markets is enhanced by our senior unsecured debt ratings by Moody's, Fitch, and Standard and Poor's, which are currently A3 with stable outlook, A- with stable outlook, and BBB+ with stable outlook, respectively. We believe our ability to access capital markets is also enhanced by our ability to borrow on a secured basis from various institutions including banks, Fannie Mae, Freddie Mac, or life insurance companies. However, we may not be able to maintain our current credit ratings and may not be able to borrow on a secured or unsecured basis in the future.

Future Cash Requirements and Contractual Obligations

One of our principal long-term liquidity requirements includes the repayment of maturing debt, including any future borrowings under our unsecured credit facility. As of the date of this filing, we had no debt maturing through the remainder of 2017. See Note 7, "Notes Payable," in the notes to Condensed Consolidated Financial Statements for a further discussion of scheduled maturities.

We estimate the additional cost to complete the construction of six consolidated projects to be approximately $173.2 million. Of this amount, we expect to incur costs between approximately $75 million and $85 million during the remainder of 2017 and to incur the remaining costs during 2018 and 2019. Additionally, we expect to incur costs up to $30 million related to the start of new development activities, approximately $17 million to $21 million of additional redevelopment expenditures and approximately $34 million to $38 million of additional recurring capital expenditures during the remainder of 2017.

We intend to meet our near-term liquidity requirements through a combination of one or more of the following: cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, other unsecured borrowings or secured mortgages. We intend to evaluate our operating property and land development portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise.

As a REIT, we are subject to a number of organizational and operational requirements, including a requirement to distribute current dividends to our shareholders equal to a minimum of 90% of our annual taxable income. In order to minimize paying income taxes, our general policy is to distribute at least 100% of our taxable income. In June 2017, our Board of Trust Managers declared a quarterly dividend of $0.75 per common share to our common shareholders of record as of June 30, 2017. The quarterly dividend was subsequently paid on July 17, 2017, and we paid equivalent amounts per unit to holders of the common operating partnership units. Assuming similar quarterly dividend distributions for the remainder of 2017, our annualized dividend rate would be $3.00 per share or unit for the year ending December 31, 2017.

Off-Balance Sheet Arrangements

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. At June 30, 2017, our unconsolidated joint ventures had outstanding debt of approximately $517.4 million, of which our proportionate share was approximately $161.9 million. As of June 30, 2017, we had no outstanding guarantees related to the debt of our unconsolidated joint ventures.

Inflation

Substantially all of our apartment leases are for a term generally ranging from six to eighteen months. In an inflationary environment, we may realize increased rents at the commencement of new leases or upon the renewal of existing leases. We believe the short-term nature of our leases generally minimizes our risk from the adverse effects of inflation.

Critical Accounting Policies

Our critical accounting policies have not changed from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements. See Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements," in the notes to Condensed Consolidated Financial Statements for further discussion of recent accounting pronouncements issued during the six months ended June 30, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

No material changes to our exposures to market risk have occurred since our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Table of Contents

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Securities Exchange Act ("Exchange Act") Rules 13a-15(e) and 15d-15(e). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded the disclosure controls and procedures as of the end of the period covered by this report are effective to ensure information required to be disclosed by us in our Exchange Act filings is accurately recorded, processed, summarized, and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls. There were no changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) in Rules 13a-15 and 15d-15 under the Exchange Act) during our most recent fiscal quarter which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Table of Contents

Item 6. Exhibits
(a)
Exhibits

10.1	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Jefferies LLC (incorporated by reference to Exhibit 1.1 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.2	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and J.P. Morgan Securities LLC (incorporated by reference to Exhibit 1.2 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.3	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 1.3 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.4	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 1.4 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.5	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.5 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
*31.1	Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated July 28, 2017
*31.2	Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated July 28, 2017
*32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith.

Table of Contents

SIGNATURES

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

	CAMDEN PROPERTY TRUST
/s/ Michael P. Gallagher	July 28, 2017
Michael P. Gallagher	Date
Senior Vice President – Chief Accounting Officer	

Table of Contents

Exhibit Index

Exhibit	Description of Exhibits
10.1	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Jefferies LLC (incorporated by reference to Exhibit 1.1 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.2	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and J.P. Morgan Securities LLC (incorporated by reference to Exhibit 1.2 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.3	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 1.3 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.4	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 1.4 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
10.5	Form of Distribution Agency Agreement, dated May 15, 2017, between Camden Property Trust and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.5 to the Company's current Report on Form 8-K filed on May 16, 2017 (File No. 1-12110))
*31.1	Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated July 28, 2017
*31.2	Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated July 28, 2017
*32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.