CAMDEN PROPERTY TRUST
Form 10-Q
October 26, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý 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
¨ 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: 1-12110

CAMDEN PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Texas	76-6088377
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11 Greenway Plaza, Suite 2400 Houston, Texas	77046
(Address of principal executive offices)	(Zip Code)

(713) 354-2500
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ý Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a Smaller Reporting Company) Smaller Reporting Company ¨

Emerging Growth Company ¨

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

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

On October 19, 2018, 93,135,222 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except per share amounts)	September 30, 2018	December 31, 2017
Assets		
Real estate assets, at cost		
Land	$ 1,088,293	$ 1,021,031
Buildings and improvements	6,828,068	6,269,481
	$ 7,916,361	$ 7,290,512
Accumulated depreciation	(2,328,092)	(2,118,839)
Net operating real estate assets	$ 5,588,269	$ 5,171,673
Properties under development, including land	315,904	377,231
Investments in joint ventures	24,664	27,237
Total real estate assets	$ 5,928,837	$ 5,576,141
Accounts receivable – affiliates	22,605	24,038
Other assets, net	228,468	195,764
Cash and cash equivalents	8,529	368,492
Restricted cash	10,061	9,313
Total assets	$ 6,198,500	$ 6,173,748
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	$ 1,394,178	$ 1,338,628
Secured	865,431	865,970
Accounts payable and accrued expenses	140,046	128,313
Accrued real estate taxes	70,174	51,383
Distributions payable	74,976	72,943
Other liabilities	178,898	154,567
Total liabilities	$ 2,723,703	$ 2,611,804
Commitments and contingencies (Note 12)		
Non-qualified deferred compensation share awards	60,874	77,230
Equity		
Common shares of beneficial interest; $0.01 par value per share; 175,000 shares authorized; 105,494 and 105,489 issued; 102,977 and 102,769 outstanding at September 30, 2018 and December 31, 2017, respectively	1,030	1,028
Additional paid-in capital	4,147,278	4,137,161
Distributions in excess of net income attributable to common shareholders	(466,512)	(368,703)
Treasury shares, at cost (9,841 and 10,073 common shares at September 30, 2018 and December 31, 2017, respectively)	(355,825)	(364,066)
Accumulated other comprehensive income (loss)	14,031	(57)
Total common equity	$ 3,340,002	$ 3,405,363
Non-controlling interests	73,921	79,351
Total equity	$ 3,413,923	$ 3,484,714
Total liabilities and equity	$ 6,198,500	$ 6,173,748

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2018	2017	2018	2017
Property revenues				
Rental revenues	$212,984	$194,690	$625,123	$573,262
Other property revenues	28,786	33,488	84,463	97,807
Total property revenues	$241,770	$228,178	$709,586	$671,069
Property expenses				
Property operating and maintenance	$56,973	$60,090	$165,624	$164,188
Real estate taxes	30,860	28,193	91,235	83,916
Total property expenses	$87,833	$88,283	$256,859	$248,104
Non-property income				
Fee and asset management	$1,827	$2,116	$5,651	$5,806
Interest and other income	385	385	1,669	1,579
Income on deferred compensation plans	3,539	3,648	3,769	11,706
Total non-property income	$5,751	$6,149	$11,089	$19,091
Other expenses				
Property management	$6,303	$6,201	$19,415	$19,782
Fee and asset management	1,140	973	3,193	2,818
General and administrative	12,618	12,266	37,113	37,585
Interest	21,235	21,210	62,216	66,132
Depreciation and amortization	76,476	67,014	222,269	195,781
Expense on deferred compensation plans	3,539	3,648	3,769	11,706
Total other expenses	$121,311	$111,312	$347,975	$333,804
Loss on early retirement of debt	—	—	—	(323)
Equity in income of joint ventures	1,943	1,255	5,644	4,857
Income from continuing operations before income taxes	$40,320	$35,987	$121,485	$112,786
Income tax expense	(330)	(512)	(1,098)	(1,008)
Net income	$39,990	$35,475	$120,387	$111,778
Less income allocated to non-controlling interests from continuing operations	(1,124)	(1,091)	(3,455)	(3,345)
Net income attributable to common shareholders	$38,866	$34,384	$116,932	$108,433

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (Continued)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2018	2017	2018	2017
Earnings per share – basic	$0.41	$0.38	$1.22	$1.20
Earnings per share – diluted	$0.40	$0.38	$1.22	$1.20
Distributions declared per common share	$0.77	$0.75	$2.31	$2.25
Weighted average number of common shares outstanding – basic	95,257	91,011	95,190	90,351
Weighted average number of common shares outstanding – diluted	95,417	92,033	95,333	91,345
Condensed Consolidated Statements of Comprehensive Income				
Net income	$39,990	$35,475	$120,387	$111,778
Other comprehensive income				
Unrealized gain on cash flow hedging activities	5,202	1,754	13,984	1,754
Reclassification of net loss on cash flow hedging activities, prior service cost and net loss on post-retirement obligation	35	34	104	102
Comprehensive income	$45,227	$37,263	$134,475	$113,634
Less income allocated to non-controlling interests from continuing operations	(1,124)	(1,091)	(3,455)	(3,345)
Comprehensive income attributable to common shareholders	$44,103	$36,172	$131,020	$110,289

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Shareholders						
(in thousands)	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive (loss)/income	Non-controlling interests	Total equity
Equity, December 31, 2017	$1,028	$4,137,161	$(368,703)	$(364,066)	$(57)	$79,351	$3,484,714
Net income			116,932			3,455	120,387
Other comprehensive income					14,088		14,088
Net share awards		9,341		8,229			17,570
Employee share purchase plan		455		265			720
Common share options exercised		41					41
Change in classification of deferred compensation plan		(13,547)					(13,547)
Change in redemption value of non-qualified share awards			(2,048)				(2,048)
Diversification of share awards within deferred compensation plan		23,780	8,171				31,951
Common shares repurchased				(253)			(253)
Conversions/redemptions of operating partnership units		(9,781)				(4,634)	(14,415)
Cash distributions declared to equity holders			(220,864)			(4,251)	(225,115)
Other	2	(172)					(170)
Equity, September 30, 2018	$1,030	$4,147,278	$(466,512)	$(355,825)	$14,031	$73,921	$3,413,923

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)

(in thousands)	Common Shareholders Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Equity, December 31, 2016	$978	$3,678,277	$(289,180)	$(373,339)	$(1,863)	$80,680	$3,095,553
Net income			108,433			3,345	111,778
Other comprehensive income					1,856		1,856
Common shares issued	48	444,990					445,038
Net share awards		10,844		8,141			18,985
Employee share purchase plan		721		462			1,183
Common share options exercised		77					77
Change in classification of deferred compensation plan		(10,690)					(10,690)
Change in redemption value of non-qualified share awards			(8,469)				(8,469)
Diversification of share awards within deferred compensation plan		10,121	13,060				23,181
Conversion of operating partnership units		117				(117)	—
Cash distributions declared to equity holders			(207,428)			(4,238)	(211,666)
Other	2	(251)					(249)
Equity, September 30, 2017	$1,028	$4,134,206	$(383,584)	$(364,736)	$(7)	$79,670	$3,466,577

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2018	2017
Cash flows from operating activities		
Net income	$120,387	$111,778
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	222,269	195,781
Loss on early retirement of debt	—	323
Distributions of income from joint ventures	5,573	4,791
Equity in income of joint ventures	(5,644)	(4,857)
Share-based compensation	12,337	13,248
Net change in operating accounts and other	21,028	12,807
Net cash from operating activities	$375,950	$333,871
Cash flows from investing activities		
Development and capital improvements, including land	$(272,340)	$(219,817)
Acquisition of operating properties	(290,005)	(58,267)
Proceeds from sale of land	11,296	—
Maturities of short-term investments	—	100,000
Increase in non-real estate assets	(12,436)	(2,799)
Decrease (increase) in note receivable	9,475	(1,047)
Other	2,219	1,900
Net cash from investing activities	$(551,791)	$(180,030)
Cash flows from financing activities		
Borrowings on unsecured credit facility and other short-term borrowings	$62,000	$465,000
Repayments on unsecured credit facility and other short-term borrowings	(8,000)	(465,000)
Repayment of notes payable	(1,072)	(278,649)
Distributions to common shareholders and non-controlling interests	(223,029)	(207,831)
Proceeds from issuance of common shares	—	445,038
Repurchase of common shares and redemption of units	(14,668)	—
Other	1,395	1,227
Net cash from financing activities	$(183,374)	$(40,215)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(359,215)	113,626
Cash, cash equivalents, and restricted cash, beginning of year	377,805	245,826
Cash, cash equivalents, and restricted cash, end of period	$18,590	$359,452
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheet		
Cash and cash equivalents	$8,529	$350,274
Restricted cash	10,061	9,178
Total cash, cash equivalents, and restricted cash, end of period	$18,590	$359,452
Supplemental information		
Cash paid for interest, net of interest capitalized	$58,597	$64,455
Cash paid for income taxes	1,954	1,528
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	$74,976	$72,962
Value of shares issued under benefit plans, net of cancellations	17,841	18,154
Accrual associated with construction and capital expenditures	26,207	17,505

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CAMDEN PROPERTY TRUST
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business
Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust ("REIT"), and all consolidated subsidiaries are primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. Our multifamily apartment communities are referred to as "communities," "multifamily communities," "properties," or "multifamily properties" in the following discussion. As of September 30, 2018, we owned interests in, operated, or were developing 167 multifamily properties comprised of 56,858 apartment homes across the United States. Of the 167 properties, eight properties were under construction as of September 30, 2018, and will consist of a total of 2,378 apartment homes when completed. We also own land holdings which we may develop into multifamily communities in the future.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements
Principles of Consolidation. Our condensed consolidated financial statements include our accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are evaluated based on the accounting guidance relating to variable interest entities ("VIEs"), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation primarily using a voting interest model. In determining if we have a controlling financial interest, we consider factors such as ownership interests, authority to make decisions, kick-out rights and participating rights. As of September 30, 2018, two of our consolidated operating partnerships are VIEs. We are considered the primary beneficiary of both consolidated operating partnerships and therefore consolidate these operating partnerships. We hold the sole 1% general partnership interest in each of these consolidated operating partnership VIEs. During the three months ended September 30, 2018, certain unit holders of one of these consolidated operating partnerships redeemed their operating partnership units in exchange for cash consideration of approximately $14.4 million, and as of September 30, 2018, we held 95% of the outstanding common limited partnership units. We held 92% of the outstanding common limited partnership units of the other consolidated operating partnership as of September 30, 2018.
Interim Financial Reporting. We have prepared these unaudited financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these statements do not include all information and footnote disclosures required for annual statements. While we believe the disclosures presented are adequate for interim reporting, these interim unaudited financial statements should be read in conjunction with the audited financial statements and notes included in our 2017 Annual Report on Form 10-K. Certain insignificant amounts in the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2017 have been reclassified to conform to the current year presentation. These reclassifications had no impact on our condensed consolidated cash flows from investing activities.
Acquisitions of Real Estate. Upon acquisition of real estate, we determine the fair value of tangible and intangible assets, which includes land, buildings (as-if-vacant), furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. In estimating these values, we apply methods similar to those used by independent appraisers of income-producing property. We generally believe acquisitions of operating properties are asset acquisitions, which include the capitalization of transaction costs. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities. Depreciation is computed on a straight-line basis over the remaining useful lives of the related tangible assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in place at the time of acquisition; the net carrying value of in-place leases are included in other assets, net and the net carrying value of above or below market leases are included in other liabilities, net in our

condensed consolidated balance sheets.
During the three months ended September 30, 2018 and September 30, 2017, we recognized amortization expense of approximately $2.4 million and $0.7 million, respectively, and during the nine months ended September 30, 2018 and September 30, 2017, we recognized approximately $8.0 million and $0.7 million, respectively, related to in-place leases. During the nine months ended September 30, 2018, we recognized approximately $0.2 million related to net below market leases. During the three and nine months ended September 30, 2018, the weighted average amortization periods for in-place and net below market leases were approximately seven months and five months, respectively. During the three and nine months ended September 30, 2017, the weighted average amortization period for in-place leases was six months.

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Asset Impairment. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment may exist if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. We consider projected future undiscounted cash flows, trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. While we believe our estimates of future cash flows are reasonable, different assumptions regarding a number of factors, including, but not limited to, market rents, economic conditions, and occupancies, could significantly affect these estimates. In estimating fair value, management uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant's perspective. When impairment exists, the long-lived asset is adjusted to its fair value. In addition, we evaluate our equity investments in joint ventures and if we believe there is an other than temporary decline in market value of our investment below our carrying value, we will record an impairment charge. We did not record any impairment charges for the three and nine months ended September 30, 2018 or 2017.

The value of our properties under development depends on market conditions, including estimates of the project start date as well as estimates of demand for multifamily communities. We have reviewed market trends and other marketplace information and have incorporated this information as well as our current outlook into the assumptions we use in our impairment analyses. Due to the judgment and assumptions applied in the impairment analyses, it is possible actual results could differ substantially from those estimated.

We believe the carrying value of our operating real estate assets, properties under development, and land is currently recoverable. However, if market conditions deteriorate or if changes in our development strategy significantly affect any key assumptions used in our fair value estimates, we may need to take material charges in future periods for impairments related to existing assets. Any such material non-cash charges could have an adverse effect on our consolidated financial position and results of operations.

Cost Capitalization. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Capitalized interest is generally based on the weighted average interest rate of our unsecured debt. Capitalized interest was approximately $3.3 million and $3.4 million for the three months ended September 30, 2018 and 2017, respectively, and was approximately $10.8 million and $11.6 million for the nine months ended September 30, 2018 and 2017, respectively. Capitalized real estate taxes were approximately $0.4 million and $0.6 million for the three months ended September 30, 2018 and 2017, respectively, and were approximately $1.9 million for each of the nine months ended September 30, 2018 and 2017.

Expenditures directly related to the development and improvement of real estate assets are capitalized at cost as land and buildings and improvements. Indirect development costs, including salaries and benefits and other related costs directly attributable to the development of properties, are also capitalized. We begin capitalizing development, construction, and carrying costs when the development of the future real estate asset is probable and certain activities necessary to prepare the underlying real estate for its intended use have been initiated. All construction and carrying costs are capitalized and reported in the balance sheet as properties under development until the apartment homes are substantially completed. As apartment homes within development properties are completed, the total capitalized development cost of each apartment home is transferred from properties under development including land to buildings and improvements.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis with lives generally as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment, and other	3-20 years
Intangible assets/liabilities (in-place leases and above and below market leases)	underlying lease term

Derivative Financial Instruments. Derivative financial instruments are recorded in the consolidated balance sheets at fair value and presented on a gross basis for financial reporting purposes even when those instruments are subject to master netting arrangements and may otherwise qualify for net presentation. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows or other types of forecasted transactions are cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes attributable to the earnings effect of the hedged transactions. We may enter into derivative contracts which are intended to economically hedge certain of our risks, for which hedge accounting does not apply or we elect not to apply hedge accounting.

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Fair Value. For financial assets and liabilities recorded at fair value on a recurring or non-recurring basis, fair value is the price we would expect to receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date under current market conditions. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction. In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Measurements. The following describes the valuation methodologies we use to measure different financial instruments at fair value on a recurring basis:

Deferred Compensation Plan Investments. The estimated fair values of investment securities classified as deferred compensation plan investments are based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments are recorded in other assets in our consolidated balance sheets. The inputs associated with the valuation of our recurring deferred compensation plan investments are included in Level 1 of the fair value hierarchy.

Derivative Financial Instruments. The estimated fair values of derivative financial instruments are valued using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and volatility. The fair values of interest rate swaps and caps are estimated using the market-standard methodology of netting the discounted fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of interest rates (forward curves) derived from observable market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk, including our own nonperformance risk and the respective counterparty’s nonperformance risk. The fair value of interest rate caps is determined using the market-standard methodology of discounting the future expected cash receipts which would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observed market interest rate curves and volatilities.

Although we have determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Non-Recurring Fair Value Measurements. Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These assets primarily include long-lived assets which are recorded at fair value if they are impaired using the fair value methodologies used to measure long-lived assets described above at "Asset Impairment." Non-recurring fair value disclosures are not provided for impairments on assets disposed during the period because they are no longer owned by us. The inputs associated with the valuation of long-lived assets are generally included in Level 3 of the fair value hierarchy, unless a quoted price for a similar long-lived asset in an active market exists, at which time they are included in Level 2 of the fair value hierarchy.

Financial Instrument Fair Value Disclosures. As of September 30, 2018 and December 31, 2017, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and distributions payable represent fair value because of the short-term nature of these instruments. The carrying value of restricted cash approximates its fair value based on the nature of our assessment of the ability to recover these amounts. The carrying values of our notes receivable also approximate their fair values, which are based on certain factors, such as market interest rates, terms of the note and credit worthiness of the borrower. These financial instruments utilize Level 3 inputs. In calculating the fair value of our notes payable, interest rate and spread assumptions reflect current credit worthiness and market conditions available for the issuance of notes payable with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Note Receivable. We have one note receivable included in other assets, net, in our condensed consolidated balance sheets, relating to a real estate secured loan made to an unaffiliated third party. During the third quarter of 2018, we received payment of approximately $9.5 million in principal and approximately $0.5 million in interest on this note which matures on October 1, 2025. At September 30, 2018 and December 31, 2017, the outstanding note receivable balance was approximately $9.3 million and $18.8 million, respectively, and the interest rate was approximately 4.0% for each of the nine months ended September 30, 2018 and 2017. Interest is recognized over the life of the note and included in interest and other income in our condensed consolidated statements of income and comprehensive income. We consider a note receivable to be impaired if it is probable we will not collect all contractually due principal and interest and do not accrue interest when a note is considered impaired and an allowance is recorded for any principal and previously accrued interest which is not believed to be collectible.

Recent Accounting Pronouncements. In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-15, "Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 clarifies certain implementation costs relating to a cloud computing arrangement which is considered to be a service contract should be capitalized as if the arrangement was an internal-use software project. ASU 2018-15 is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. This standard may be applied using the prospective transition method which is applicable to service contracts entered, renewed, or materially modified after the effective date or the retrospective transition method which allows us to recognize a cumulative effect adjustment to the opening balance of retained earnings, if any, as of the adoption date. We expect to adopt ASU 2018-15 as of January 1, 2019, using the retrospective transition method and we do not expect our adoption to have a material impact on our consolidated financial statements.

In August 2018, FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 removes, modifies, and adds certain fair value disclosure requirements including (i) the removal of disclosures regarding amounts, reasons, and timing for transfers between Levels 1 and 2 as well as descriptions of valuation processes used for Level 3 measurements of the fair value hierarchy; (ii) modified disclosures for the timing of liquidation of investee assets; (iii) clarifies the narrative description of the measurement uncertainty of Level 3 fair value measurements at the reporting date does not need to include sensitivity of future changes; (iv) add disclosures related to changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements to also be included in the statement of comprehensive income; and (v) add disclosures for the range and weighted average of significant unobservable inputs. ASU 2018-13 is effective January 1, 2020 for the additional disclosures and early adoption of the removal and amended disclosures is allowed. We expect to adopt ASU 2018-13 as of January 1, 2020 and do not expect the adoption to have a material impact.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 prescribes a single, common revenue standard to replace most existing revenue recognition guidance in GAAP, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. Several ASUs intended to promote a more consistent interpretation and application of the principles outlined in the standard have been issued since the issuance of ASU 2014-09 which modify certain sections of the new revenue recognition standard. We adopted ASU 2014-09 and all related amendments effective January 1, 2018 using the modified retrospective with cumulative effect transition method. This method requires us to recognize the cumulative effect of initially applying the new revenue standard as an adjustment, if any, to the opening balance of retained earnings, which had no impact on our consolidated financial statements upon adoption. See Note 3, "Revenues," for additional disclosures required by the ASU.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 supersedes the current accounting for leases. The new lease standard retains three distinct types of leases which are similar to existing guidance for lessors: operating, sales-type, and financing, and aligns many of the underlying lessor model principles with those in the new revenue standard. For lessees, the new lease standard retains two distinct types of leases, finance and operating; and (i) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting and (ii) eliminates most real estate specific lease provisions. We will adopt ASU 2016-02 and its related amendments as of January 1, 2019 and will adopt the transition practical expedient which allows us to recognize a cumulative-effect adjustment to the opening balance of retained earnings as of the adoption date. We have identified our lease commitments and are finalizing our evaluation on our consolidated financial statements and on our internal accounting processes. Based on our assessments, substantially all of our real estate lessor commitments will continue to be accounted for as operating leases and we do not believe the new leasing standard will have a material impact on rental revenues. We are in the process of implementing changes to disclosures, policies, and internal controls in conjunction with our review of lease agreements. Our lessee operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption. We do not believe our adoption of the new leasing standard will have a material impact on our consolidated financial statements as the estimated increase of right-of-use assets and lease liabilities on our consolidated balance sheets is not expected to exceed $20 million. The ultimate impact, however, will depend on our lease portfolio as of the adoption date.

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3. Revenues
On January 1, 2018, we adopted ASU 2014-09 and all related amendments in accordance with ASU 2014-09 and elected to apply the new revenue standard to those contracts which were not completed as of January 1, 2018. We also elected to omit disclosing the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the invoiced amount directly corresponds to the value transferred to the customer as provided for in the practical expedients. Our adoption of ASU 2014-09 and its related amendments did not have a material impact upon our consolidated financial statements as the majority of our revenues are derived from real estate lease contracts which are scoped out of ASU 2014-09.
Our presentation of revenue within our condensed consolidated statements of income and comprehensive income is separated into its component parts by the nature and timing of the revenue streams. Our revenue within the scope of this new revenue standard is recognized when the services are transferred to our customers for an amount which reflects the consideration we expect to receive in exchange for those services rendered and include the following:
Other Property Revenues. The items within other property revenues relate to non-lease components within a lease contract and primarily consist of utility rebillings which are usually recognized over time and other transactional fees primarily recognized at a point-in-time. These fees are charged to our residents and recognized monthly as the performance obligation is satisfied.
Upon our adoption of ASU 2014-09, we are now presenting certain revenue items, historically included as a component of other property revenues, as rental revenues due to the nature and timing of revenue recognition for these items being more closely aligned to a lease. This new presentation has been applied prospectively as this reclassification will not have an impact upon total property revenues or the opening balance of retained earnings. Approximately $5.5 million and $16.9 million of rental revenue is related to this presentation for the three and nine months ended September 30, 2018, respectively. Had ASU 2014-09 been effective as of January 1, 2017, we would have reclassified approximately $5.7 million and $16.7 million from other property revenues to rental revenue for the three and nine months ended September 30, 2017, respectively.
Fee and Asset Management Income. Management fee income primarily consists of fees charged to our unconsolidated joint ventures for managing the joint venture, and the development, redevelopment and capital expenditures of their operating communities. While the individual activities related to these fees may vary, the services provided are substantially similar, have the same pattern of transfer, and are considered to be individual performance obligations composed of a series of distinct services, recognized monthly as earned.
We also generate construction fees for construction management and general contracting services provided to third-party owners of multifamily, commercial, and retail properties. These fees are recognized as we satisfy our single performance obligation over time based on a percentage-of-completion of cost basis which we believe is an accurate depiction of the transfer of control to our customers. For these contracts, significant judgment is used to estimate the cost plus margin for the project fee and our profitability on those contracts is dependent on the ability to accurately predict such factors.
Contract Balances. We record third-party construction receivables for amounts where we have unconditional rights to payment but have not received and liabilities for amounts incurred but not paid. For the three and nine months ended September 30, 2018, these contract receivable and liability balances were immaterial.
4. Per Share Data
Basic earnings per share is computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflects common shares issuable from the assumed conversion of common share options and share awards granted and units convertible into common shares. Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. Our unvested share-based awards are considered participating securities and are reflected in the calculation of basic and diluted earnings per share using the two-class method. The number of common share equivalent securities excluded from the diluted earnings per share calculation were approximately 2.1 million and 1.4 million for the three months ended September 30, 2018 and 2017, respectively, and were approximately 2.2 million and 1.5 million for the nine months ended September 30, 2018 and 2017, respectively. These securities, which include common share options and share awards granted and units convertible into common shares, were excluded from the diluted earnings per share

calculations as they are anti-dilutive.

The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

(in thousands, except per share amounts)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Earnings per common share calculation – basic				

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(in thousands, except per share amounts)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Income from continuing operations attributable to common shareholders	$38,866	$34,384	$116,932	$108,433
Amount allocated to participating securities	(284)	(21)	(831)	(133)
Net income attributable to common shareholders – basic	$38,582	$34,363	$116,101	$108,300
Total earnings per common share – basic	$0.41	$0.38	$1.22	$1.20
Weighted average number of common shares outstanding – basic	95,257	91,011	95,190	90,351
Earnings per common share calculation – diluted				
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	$38,582	$34,363	$116,101	$108,300
Income allocated to common units from continuing operations	—	294	—	869
Net income attributable to common shareholders – diluted	$38,582	$34,657	$116,101	$109,169
Total earnings per common share – diluted	$0.40	$0.38	$1.22	$1.20
Weighted average number of common shares outstanding – basic	95,257	91,011	95,190	90,351
Incremental shares issuable from assumed conversion of:				
Common share options and share awards granted	160	217	143	189
Common units	—	805	—	805
Weighted average number of common shares outstanding – diluted	95,417	92,033	95,333	91,345

5. Common Shares

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.

For the three and nine months ended September 30, 2018, and through the date of this filing, we did not sell any shares under the 2017 ATM program. As of the date of this filing, we had common shares having an aggregate offering price of up to $312.8 million remaining available for sale under the 2017 ATM program.

The following table presents activity under our 2017 ATM program for the three and nine months ended September 30, 2017.

(in thousands, except per share amounts)	Three and Nine Months Ended September 30, 2017
Total net consideration	$ 2,513.6
Common shares sold	28.1
Average price per share	$ 90.44

We have a repurchase plan approved by our Board of Trust Managers which allows for the repurchase of up to $500 million of our common equity securities through open-market purchases, block purchases, and privately negotiated transactions. In March 2018, we repurchased 3,222 common shares for approximately $0.3 million. There were no repurchases during the three months ended September 30, 2018. As of the date of this filing, the remaining dollar value of our common equity securities authorized

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to be repurchased under this program was approximately $269.5 million. There were no repurchases during the nine months ended September 30, 2017.

We currently have an automatic shelf registration statement which allows us to offer common shares, preferred shares, debt securities, or warrants, and 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 September 30, 2018, we had approximately 93.1 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

6. Acquisitions and Dispositions

Asset Acquisition of Operating Properties. In September 2018, we acquired one operating property comprised of 299 apartment homes located in Orlando, Florida, for approximately $89.8 million. In February 2018, we acquired one operating property comprised of 333 apartment homes located in Orlando, Florida, for approximately $81.4 million. In January 2018, we acquired one operating property comprised of 358 apartment homes located in St. Petersburg, Florida, for approximately $126.9 million. In June 2017, we acquired one operating property comprised of 250 apartment homes, located in Atlanta, Georgia, for approximately $58.3 million.

Acquisition of Land. In April 2018, we acquired approximately 1.8 acres of land in Orlando, Florida for approximately $11.4 million for the development of a community with 360 wholly-owned apartment homes which commenced construction during the quarter ended June 30, 2018. In April 2017, we acquired approximately 8.2 acres of land in San Diego, California for $20.0 million.

Land Holding Dispositions. In September 2018, we sold approximately 14.1 acres of land adjacent to two development properties in Phoenix, Arizona for approximately $11.5 million.

7. Investments in Joint Ventures

As of September 30, 2018, 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. We have a 31.3% ownership interest in each of the two other Funds. The following table summarizes the combined balance sheets and statements of income data for the Funds as of and for the periods presented:

(in millions)	September 30, 2018	December 31, 2017
Total assets	$ 703.1	$ 715.9
Total third-party debt	511.7	514.5
Total equity	166.1	174.5

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Total revenues	$32.5	$30.8	$95.3	$91.2
Net income (1)	$4.0	$2.0	$11.6	$9.4
Equity in income (2) (3)	$1.9	$1.3	$5.6	$4.9

(1) Net income for the three and nine months ended September 30, 2017 includes approximately $1.3 million of property expense relating to Hurricanes Harvey and Irma in the third quarter of 2017.

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

(3)

Equity in income for the three and nine months ended September 30, 2017 includes our ownership interest of the hurricane related expenses of approximately $0.4 million.

The Funds have been funded in part with secured third-party debt and, as of September 30, 2018, 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 the Funds and may earn a promoted equity interest if certain thresholds are met. We eliminate fee income for services provided to the Funds

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to the extent of our ownership. Fees earned for these services, net of eliminations, were approximately $1.5 million and 1.4 million for the three months ended September 30, 2018 and 2017, respectively and approximately $4.3 million and $4.0 million for the nine months ended September 30, 2018 and 2017, respectively.

8. Notes Payable

The following is a summary of our indebtedness:

(in millions)	September 30, 2018	December 31, 2017
Commercial banks		
Unsecured credit facility	$ 30.0	$ —
Unsecured short-term borrowings	24.0	—
	$ 54.0	$ —
Senior unsecured notes (1)		
4.78% Notes, due 2021	$ 249.0	$ 248.7
3.15% Notes, due 2022	347.1	346.6
5.07% Notes, due 2023	247.9	247.6
4.36% Notes, due 2024	248.7	248.5
3.68% Notes, due 2024	247.5	247.2
	$ 1,340.2	$ 1,338.6
Total unsecured notes payable	$ 1,394.2	$ 1,338.6
Secured notes (1)		
2.86% – 5.77% Conventional Mortgage Notes, due 2018 – 2045	$ 865.4	$ 866.0
Total notes payable	$ 2,259.6	$ 2,204.6
Other floating rate debt included in secured notes (2.86%)	$ 175.0	$ 175.0

(1) Unamortized debt discounts and debt issuance costs of $10.2 million and $12.3 million are included in senior unsecured and secured notes payable as of September 30, 2018 and December 31, 2017, 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 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 September 30, 2018, we had approximately $30.0 million outstanding on our $600 million credit facility and we had outstanding letters of credit totaling approximately $10.1 million, leaving approximately $559.9 million available under our credit facility.

In May 2018, we extended the term on our $45.0 million unsecured short-term borrowing facility from May 2018 to May 2019. The interest rate is based on LIBOR plus 0.95%. At September 30, 2018, we had $24.0 million outstanding on this unsecured short-term borrowing facility, leaving $21.0 million available under this facility.

We had outstanding floating rate debt of approximately $229.0 million and $175.0 million at September 30, 2018 and 2017, respectively, which included amounts borrowed under our unsecured credit facility and unsecured short-term borrowings. The

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weighted average interest rate on such debt was approximately 2.9% and 1.9% for the nine months ended September 30, 2018 and 2017, respectively.

Our indebtedness had a weighted average maturity of approximately 3.4 years at September 30, 2018. 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 September 30, 2018:

(in millions) (1)	Amount	Weighted Average Interest Rate	
2018 (2)	$379.7	4.4	%
2019 (3)	462.0	5.1	
2020 (4)	28.8	3.1	
2021	249.1	4.8	
2022	349.3	3.2	
Thereafter	790.7	4.4	
Total	$2,259.6	4.4	%

(1) Includes amortization of debt discounts and debt issuance costs, net of scheduled principal payments.

(2) In October 2018, we repaid $175.0 million of variable rate secured conventional mortgage notes at maturity and $205.0 million outstanding fixed rate secured conventional mortgage notes.

(3) Includes the $24.0 million unsecured short-term borrowings. In October 2018, we repaid the outstanding balance on our unsecured short-term borrowings. See below for a further discussion.

(4) Includes all available extension options and the $30.0 million balance outstanding under our unsecured line of credit. Also in October 2018, we repaid the outstanding balance on our unsecured line of credit. See below for a further discussion.

In September 2018, we entered into a $100.0 million three-year unsecured floating-rate term loan with an unrelated third party, which was funded in October 2018. The interest rate on the term loan is based on LIBOR plus a margin which is subject to change as our credit ratings change. See Note 15, "Related Party Transactions" for a further discussion of this transaction.

In October 2018, we repaid at maturity our $175.0 million variable rate secured conventional mortgage notes and $205.0 million of outstanding fixed rate secured conventional mortgage notes which were scheduled to mature in 2018 from our unsecured line of credit, other short-term borrowings, and the $100.0 million term loan discussed above.

Also in October 2018, we issued $400.0 million aggregate principal amount of 4.100% senior unsecured notes due October 15, 2028 (the "2028 Notes") under our existing shelf registration statement. The 2028 Notes were offered to the public at 99.893% of their face amount with a stated rate of 4.100% and a yield to maturity of 4.113%. After giving effect to the settlement of the swap agreements as discussed below in Note 9, "Derivative Financial Instruments and Hedging Activities," and deducting the underwriting discounts and other estimated expenses of the offering, the effective annual interest rate on the 2028 Notes is approximately 3.74%. We received net proceeds of approximately $396.1 million, net of underwriting discounts and other estimated offering expenses. Interest on the 2028 Notes is payable semi-annually on April 15 and October 15, beginning April 15, 2019. We may redeem the 2028 Notes, in whole or in part, at any time at a redemption price equal to the principal amount and accrued interest of the notes being redeemed, plus a make-whole provision. If, however, we redeem the 2028 Notes 90 days or fewer prior to the maturity date, the redemption price will equal 100% of the principal amount of the 2028 Notes to be redeemed plus accrued and unpaid interest on the amount being redeemed to the redemption date. The 2028 Notes are direct, senior unsecured obligations and rank equally with all of our other unsecured and unsubordinated indebtedness. We used the proceeds from the offering of the 2028 Notes to repay outstanding balances on our unsecured line of credit and other short-term borrowings (including amounts incurred to repay the $380.0 million secured unconventional mortgage notes) and the remainder for general corporate purposes.

9. Derivative Financial Instruments and Hedging Activities

Risk Management Objective of Using Derivatives. We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we may enter into derivative financial instruments to manage exposures arising from business activities resulting in differences in the amount, timing, and duration of our known or expected cash payments principally related to our borrowings. See Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" for a further discussion of derivative financial instruments.

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Cash Flow Hedges of Interest Rate Risk. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, we primarily use interest rate swaps and caps as part of our interest rate risk management strategy. Interest rate swaps involve the receipt of variable rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps involve the receipt of variable rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium.

Designated Hedges. The gain or loss on derivatives designated and qualifying as cash flow hedges is reported as a component of other comprehensive income or loss, and subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings and is presented in the same line item as the earnings effect of the hedged item. In February 2018, we entered into two forward interest rate swap agreements with an aggregate notional amount of $200.0 million to hedge a future fixed rate debt issuance expected to occur in October 2018. At September 30, 2018, we had a total of five forward interest rate swaps with a total notional value of $400.0 million to hedge a portion of future fixed rate debt issuances. At September 30, 2017, we had one forward interest rate swap with a notional value of $100.0 million to hedge a portion of future fixed rate debt issuances. In connection with the 2028 Notes issued in October 2018, we settled all of the forward interest rate swaps resulting in a net cash receipt of approximately $15.9 million. Amounts in other comprehensive income associated with the settled forward interest rate swaps will be reclassified to interest expense as interest payments are made on the 2028 Notes. As of September 30, 2018, the amount we expect to be reclassified into earnings in the next 12 months as a decrease to interest expense is approximately $1.6 million. See Note 14, "Fair Value Measurements" for a further discussion of the fair value of our derivative financial instrument.

Non-Designated Hedges. Derivatives are not entered into for speculative purposes and are used to manage our exposure to interest rate movements and other identified risks. Our non-designated hedges are either specifically non-designated by management or do not meet strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings in interest and other income. At September 30, 2018, we did not have any non-designated hedges outstanding. At September 30, 2017, we had one outstanding interest rate cap with a notional amount of $175.0 million which was not designated as a hedge of interest rate risk. The fair value changes for this derivative was not material.

The table below presents the fair value of our derivative financial instruments as well as their classification in the consolidated balance sheets at September 30, 2018 and December 31, 2017:

	Asset Derivatives				Liability Derivatives			
	September 30, 2018 (1)		December 31, 2017		September 30, 2018 (1)		December 31, 2017	
(in millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest Rate Swaps	Other Assets	$ 15.7	Other Assets	$ 2.2	Other Liabilities	$ —	Other Liabilities	$ 0.5

(1) The derivatives subject to master netting arrangements are presented on a gross basis on our condensed consolidated balance sheet as of September 30, 2018. We did not have any derivative contracts in a liability position as of September 30, 2018 and there were no derivative contracts in a master netting arrangement as of December 31, 2017.

The table below presents the effect of our derivative financial instruments in the consolidated statements of income and comprehensive income for the three months ended September 30, 2018:

(in millions)	Unrealized Gain Recognized in Other Comprehensive Income	Location of Gain Reclassified from Accumulated OCI into Income	Amount of Gain Reclassified from Accumulated OCI into Income

Derivatives in Cash Flow Hedging Relationships	("OCI") on Derivatives			
	2018	2017		2018
Interest Rate Swaps	$ 5.2	$ 1.8	Interest expense	N/A

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The table below presents the effect of our derivative financial instruments in the consolidated statements of income and comprehensive income for the nine months ended September 30, 2018:

(in millions)	Unrealized Gain Recognized in Other Comprehensive Income ("OCI") on Derivatives		Location of Gain Reclassified from Accumulated OCI into Income	Amount of Gain Reclassified from Accumulated OCI into Income
Derivatives in Cash Flow Hedging Relationships	2018	2017		2018
Interest Rate Swaps	$ 14.0	$ 1.8	Interest expense	N/A

Credit-Risk-Related Contingent Features. Derivative financial investments expose us to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company has an agreement with a derivative counterparty that contains a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. We did not have any derivative contracts in a liability position as of September 30, 2018.

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

Incentive Compensation. Our Board of Trust Managers adopted in February 2018, and our shareholders approved on May 17, 2018, the Camden Property Trust 2018 Share Incentive Plan (the "2018 Share Plan") which supersedes our 2011 Share Incentive Plan (the "2011 Share Plan"). Under the 2018 Share Plan, we may issue up to a total of approximately 9.7 million common shares (the "Share Limit"). The Share Limit is comprised of 7.6 million new common shares, approximately 0.6 million common shares available for issuance under our 2011 Share Plan, as well as approximately 0.4 million common shares subject to restricted share and restricted share unit awards outstanding under the 2011 plan (subject to a 3.45 multiplier) and 0.1 million common shares subject to options granted under the 2011 Share Plan. The shares reserved for issuance under the 2011 Plan for these restricted share and option awards will become available for grant under the 2018 Share Plan if they are forfeited, terminated, cancelled or otherwise reacquired without being exercised or vested. Different types of awards are counted differently against the Share Limit, as follows:

- Each share issued or to be issued in connection with a full value award, other than an option or share appreciation right which does not deliver the full value at grant of the underlying shares, will be counted against the Share Limit as 3.45 common shares; and
- Options and share appreciation rights which do not deliver the full value at grant of the underlying shares will be counted against the Share Limit as one common share.

Excluding the 0.5 million common shares subject to 2011 Share Plan awards which may in the future become available under the 2018 Share Plan as discussed above, there were approximately 8.2 million common shares available under the 2018 Share Plan at September 30, 2018. This results in approximately 2.4 million shares which may be granted pursuant to full value awards based on the 3.45 to 1.0 common share to full value award conversion ratio.

The other types of awards which may be granted under the 2018 Share Plan include, without limitation, share bonuses, restricted shares, performance shares, share units, restricted share units, deferred shares, phantom stock (which are contractual rights to receive common shares, or cash based on the fair market value of a common share), dividend equivalents (which represent the right to receive a payment based on the dividends paid on a common share over a stated period of time), similar rights to purchase or acquire shares, and cash awards. Persons eligible to receive awards under the 2018 Share Plan include officers and employees of the Company or any of its subsidiaries, Trust Managers of the Company, and certain consultants and advisors to the Company or any of its subsidiaries. The 2018 Share Plan will expire on February 15, 2028.

Options. Effective May 17, 2018, new options are exercisable subject to the terms and conditions of the 2018 Share Plan. Outstanding options granted prior to May 17, 2018 were awarded subject to the terms and conditions of the 2011

Share Plan. Stock options granted generally provide they become exercisable in increments ranging from 20% to 33.3% per year on each of the anniversaries of the date of grant, other than reload options which are vested at grant date. Approximately 26 thousand and 39 thousand options were exercised during the nine months ended September 30, 2018 and 2017, respectively. The total intrinsic value of options exercised was approximately $1.3 million and $2.0 million during the nine months ended September 30, 2018 and 2017, respectively. At September 30, 2018, there was no unrecognized compensation cost related to unvested options, and all options outstanding were exercisable with a weighted average remaining life of approximately four months.

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The following table summarizes outstanding share options, all of which were exercisable, at September 30, 2018:

	Options Outstanding and Exercisable (1)	
Range of Exercise Prices	Number	Weighted Average Price
$75.17	15,388	$ 75.17
$78.55	9,994	78.55
$80.89 - $85.05	27,476	82.84
Total options	52,858	$ 79.79

(1) The aggregate intrinsic value of options outstanding and exercisable at September 30, 2018 was $0.7 million. The aggregate intrinsic value was calculated as the excess, if any, between our closing share price of $93.57 per share on September 30, 2018 and the strike price of the underlying award.

Options Granted and Valuation Assumptions. In March 2018, we granted approximately 10 thousand 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 nine months ended September 30, 2018 vested immediately and approximately $37 thousand was expensed on the reload date. As of September 30, 2018, no stock options remain outstanding with reload rights. 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 nine months ended September 30, 2018:

	Nine Months Ended September 30, 2018
Weighted average fair value of options granted	$4.11
Expected volatility	15.1%
Risk-free interest rate	2.0%
Expected dividend yield	3.3%
Expected life	1 year

Our computation of expected volatility for 2018 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 2018 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. We utilize actual forfeitures rather than estimating forfeitures at the time share-based awards were granted. At September 30, 2018, the unamortized value of previously issued unvested share awards was approximately $20.1 million, which is expected to be amortized over the next two years. The total fair value of shares vested during the nine months ended September 30, 2018 and 2017 was approximately $24.0 million and $23.1 million, respectively.

Total compensation costs for option and share awards charged against income was approximately $4.4 million and $4.7 million for the three months ended September 30, 2018 and 2017, respectively, and approximately $13.2 million and $14.1 million for the nine months ended September 30, 2018 and 2017, respectively. Total capitalized compensation costs for option and share awards was approximately $0.7 million and $1.0 million for the three months ended September 30, 2018 and 2017, respectively, and approximately $2.4 million and $2.8 million for the nine months ended September 30, 2018 and 2017, respectively.

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The following table summarizes activity under our share incentive plans for the nine months ended September 30, 2018:

	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, 2017	68,978	$ 61.15	499,898	$ 75.80
Granted	9,994	78.55	231,332	82.77
Exercised/Vested	(26,114)	30.06	(316,668)	75.66
Forfeited	—	—	(16,452)	79.34
Total options and nonvested share awards outstanding at September 30, 2018	52,858	$ 79.79	398,110	$ 79.81

Employee Share Purchase Plan (“ESPP”). Our Board of Trust Managers adopted in February 2018, and our shareholders approved on May 17, 2018, the Camden Property Trust 2018 Employee Share Purchase Plan (the "2018 ESPP") which amends and restates our 1999 Employee Share Purchase Plan (the "1999 ESPP") effective with the offering period commencing in June 2018. Under the 2018 ESPP, we may issue up to a total of approximately 500,000 common shares. We have established the 2018 ESPP for all active employees and officers who have completed three months of continuous service. Participants may elect to purchase our common shares through payroll deductions and/or through semi-annual lump-sum contributions. At the end of each six-month offering period, each participant’s account balance is applied to acquire common shares at 85% of the market value, as defined, on the first or last day of the offering period, whichever price is lower. We currently use treasury shares to satisfy ESPP share requirements. Each participant must hold the shares purchased for nine months in order to receive the discount, and a participant may not purchase more than $25,000 in value of shares during any calendar year.

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 nine months ended September 30, 2018:

(in thousands)	Nine Months Ended September 30, 2018
Temporary equity:	
Balance at December 31, 2017	$ 77,230
Change in classification	13,547
Change in redemption value	2,048
Diversification of share awards	(31,951)
Balance at September 30, 2018	$ 60,874

11. Net Change in Operating Accounts

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

	Nine Months Ended September 30,	
(in thousands)	2018	2017

Change in assets:		
Other assets, net	$3,167	$(10,135)
Change in liabilities:		
Accounts payable and accrued expenses	(1,111)	(1,356)
Accrued real estate taxes	17,726	20,986
Other liabilities	(837)	1,178
Other	2,083	2,134
Change in operating accounts and other	$21,028	$12,807

12. Commitments and Contingencies
Construction Contracts. As of September 30, 2018, we estimate the total additional cost to complete the eight consolidated projects currently under construction to be approximately $379.7 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 borrowing, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our 2017 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. At September 30, 2018, we had approximately $0.6 million in earnest money deposits of which $0.3 million was non-refundable for potential acquisitions of land in our condensed consolidated balance sheets.
Lease Commitments. At September 30, 2018, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately $0.9 million and $1.0 million for the three months ended September 30, 2018 and 2017, respectively, and was approximately $2.8 million and $3.0 million for the nine months ended September 30, 2018 and 2017, respectively. Minimum annual rental commitments for the remainder of 2018 are $0.8 million, and for the years ending December 31, 2019 through 2022 are approximately $2.8 million, $2.9 million, $2.9 million, and $2.7 million, respectively, and approximately $6.9 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.
13. 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. 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 nine months ended September 30, 2018 and 2017 as income tax expense. Income taxes for the three and nine months ended September 30, 2018 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.

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We believe we have no uncertain tax positions or unrecognized tax benefits requiring disclosure as of and for the nine months ended September 30, 2018.

14. 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 September 30, 2018 and December 31, 2017 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

	September 30, 2018				December 31, 2017			
(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
Other Assets								
Deferred compensation plan investments (1)	$146.4	$ —	$ —	$146.4	$120.3	$ —	$ —	$120.3
Derivative financial instruments - forward interest rate swap (2)	—	15.7	—	15.7	—	2.2	—	2.2
Other Liabilities								
Derivative financial instruments - forward interest rate swaps (2)	$—	$ —	$ —	$—	$—	$ 0.5	$ —	$0.5

(1) Approximately $12.6 million and $4.2 million of participant cash was withdrawn from our deferred compensation plan investments during the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively. Approximately $32.0 million and $23.2 million of participant restricted share units in the compensation plan were diversified into deferred compensation plan investments during the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively.

(2) In connection with the issuance of the 2028 Notes in October 2018, we settled all outstanding interest rate swaps resulting in a net cash receipt of approximately $15.9 million.

Non-Recurring Fair Value Disclosures. The nonrecurring fair value disclosure inputs under the fair value hierarchy are discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements." We completed three asset acquisitions of operating properties during the nine months ended September 30, 2018 and one asset acquisition of an operating property during the nine months ended September 30, 2017. We recorded the real estate assets and identifiable net below market and in-place leases at their relative fair values based upon methods similar to those used by independent appraisers of income producing properties. The fair value measurements associated with the valuation of these acquired assets represent Level 3 measurements within the fair value hierarchy. See Note 6, "Acquisitions," for a further discussion about these acquisitions.

Financial Instrument Fair Value Disclosures. The following table presents the carrying and estimated fair values of our notes payable at September 30, 2018 and December 31, 2017, in accordance with the policies discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."

	September 30, 2018		December 31, 2017	
(in millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value

Fixed rate notes payable	$2,030.6	$2,041.0	$2,029.6	$2,106.5
Floating rate notes payable (1)	229.0	229.0	175.0	173.7

(1) Include balances outstanding under our line of credit and unsecured short-term borrowings at September 30, 2018.

15. Related Party Transactions

In September 2018, we entered into an agreement with certain holders of common units of limited partnership interest in one of our consolidated operating partnerships, Camden Summit Partnership, L.P. ("CSPLP"), which holders include two of our Trust Managers. This agreement modifies the original terms of the Tax Protection Agreement dated February 28, 2005 which

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states the CSPLP must maintain a certain amount of secured debt until February 28, 2020 to protect the negative tax capital of the unitholders or reimburse the unitholders for income taxes incurred from the repayment of this indebtness. Pursuant to the agreement, CSPLP issued $100.0 million of unsecured debt with an unrelated third party which was guaranteed by Camden. Additionally, each such unitholder agreed to indemnify Camden for their portion of the unsecured debt equal to the amount of income and gain which would be required to be recognized by the unitholder due to their negative tax capital account; the indemnities are for a one-year period with an annual renewal right. In return, CSPLP agreed to extend the duration of the Tax Protection Agreement for two years for each year such unitholder's indemnification agreement remains in place.

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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, 2017. 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 have recently changed and may continue to 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;
- We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined;
- 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 hedge effectively against interest rates may adversely affect results of operations;
-

- 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.

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Executive Summary

Camden Property Trust and all consolidated subsidiaries are primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. 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 September 30, 2018, we owned interests in, operated, or were developing 167 multifamily properties comprised of 56,858 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 nine months ended September 30, 2018 reflect increases in same store revenues of 3.1% and 3.2% as compared to the same periods in 2017, respectively. These increases were primarily due to higher average rental rates which we believe were 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. 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 2018 and the supply of new multifamily homes will remain at manageable levels. If economic conditions were to worsen, our operating results could be adversely affected.

Construction Activity

At September 30, 2018, we had eight projects under construction to be comprised of 2,378 apartment homes, with initial occupancy scheduled to occur within the next 27 months. As of September 30, 2018, we estimate the total additional cost to complete the construction of these eight projects is approximately $379.7 million.

Acquisitions

Operating properties. In September 2018, we acquired one operating property comprised of 299 apartment homes located in Orlando, Florida, for approximately $89.8 million. In February 2018, we acquired one operating property comprised of 333 apartment homes located in Orlando, Florida, for approximately $81.4 million. In January 2018, we acquired one operating property comprised of 358 apartment homes located in St. Petersburg, Florida, for approximately $126.9 million.

Land. In April 2018, we acquired approximately 1.8 acres of land in Orlando, Florida for approximately $11.4 million for the future development of a community with 360 wholly-owned apartment homes which commenced construction during the quarter ended June 30, 2018.

Dispositions

Land. In September 2018, we sold approximately 14.1 acres of land adjacent to two development properties in Phoenix, Arizona, for approximately $11.5 million.

Future Outlook

Subject to market conditions, we intend to continue to seek opportunities to develop new communities, and to redevelop, reposition, 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 maintain a strong balance sheet and preserve our financial flexibility 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 borrowing, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our 2017 at-the-market ("ATM") share offering program, other unsecured borrowings or secured mortgages.

As of September 30, 2018, we had approximately $8.5 million in cash and cash equivalents and $580.9 million available under our $645.0 million unsecured credit facilities. As of the date of this filing, we had common shares having an aggregate offering price of up to $312.8 million remaining available for sale under our 2017 ATM program. In September 2018, we entered into a $100.0 million three-year unsecured floating-rate term loan which was funded on October 1, 2018. In October 2018, we issued $400.0 million of senior unsecured notes due October 15, 2028 (the "2028 Notes") under our existing shelf registration statement. In October 2018, we also repaid $380.0 million of secured conventional mortgage notes and have no scheduled payments of debt for the remainder of 2018. Also in October 2018, we paid our other short-term borrowings which was included in the 2019 maturity as well as the outstanding balances on our unsecured line of credit scheduled to mature in 2020. Excluding the short-term borrowings paid in October 2018, we believe scheduled payments of debt in 2019 are manageable at approximately $438.0 million. We also believe we are well-positioned with a strong balance sheet and sufficient liquidity to cover new development,

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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.

Property Portfolio

Our multifamily property portfolio is summarized as follows:

	September 30, 2018		December 31, 2017	
	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties				
Houston, Texas	8,434	24	8,434	24
Washington, D.C. Metro	6,497	18	6,040	17
Dallas, Texas	5,666	14	5,666	14
Atlanta, Georgia	4,496	14	4,496	14
Orlando, Florida	3,594	10	2,962	8
Austin, Texas	3,360	10	3,360	10
Charlotte, North Carolina	3,076	13	3,076	13
Raleigh, North Carolina	3,054	8	3,054	8
Phoenix, Arizona	2,929	10	2,929	10
Southeast Florida	2,781	8	2,781	8
Tampa, Florida	2,736	7	2,378	6
Los Angeles/Orange County, California	2,658	7	2,658	7
Denver, Colorado	2,632	8	2,632	8
San Diego/Inland Empire, California	1,665	5	1,665	5
Corpus Christi, Texas	902	3	902	3
Total Operating Properties	54,480	159	53,033	155
Properties Under Construction				
Houston, Texas	586	2	586	2
Phoenix, Arizona	441	1	441	1
Washington, D.C. Metro	365	1	822	2
Atlanta, Georgia	365	1	—	—
Orlando, Florida	360	1	—	—
Denver, Colorado	233	1	233	1
Charlotte, North Carolina	28	1	28	1
Total Properties Under Construction	2,378	8	2,110	7
Total Properties	56,858	167	55,143	162
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	49,575	145	47,860	140

(1) Refer to Note 7, "Investments in Joint Ventures," in the notes to Condensed Consolidated Financial Statements for further discussion of our joint venture investments.

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Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy. We had no properties reach stabilization during the three months ended September 30, 2018.

Completed Construction in Lease-Up

At September 30, 2018, 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 10/23/2018	Date of Construction Completion	Estimated Date of Stabilization
Camden NoMa II (2)					
Washington, DC	405	$ 108.4	94 %	2Q17	4Q18
Camden Shady Grove					
Rockville, MD	457	113.9	85 %	1Q18	2Q19
Total	862	$ 222.3			

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

(2) Stabilization has been achieved at this property subsequent to quarter-end.

Properties Under Development and Land

Our condensed consolidated balance sheet at September 30, 2018 included approximately $315.9 million related to properties under development and land. Of this amount, approximately $211.1 million related to our projects currently under construction. In addition, we had approximately $104.8 million invested primarily in land held for future development related to projects we expect to begin constructing during the next two years.

Communities Under Construction. At September 30, 2018, we had eight 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 Washingtonian (1)						
Gaithersburg, MD	365	$ 90.0	$ 84.9	$ 22.0	1Q19	4Q19
Camden McGowen Station (2)						
Houston, TX	315	90.0	89.5	12.0	4Q18	4Q19
Camden North End I (3)						
Phoenix, AZ	441	105.0	91.3	29.5	2Q19	2Q20
Camden Grandview II						
Charlotte, NC	28	21.0	19.0	19.0	1Q19	2Q19
Camden RiNo						
Denver, CO	233	75.0	36.5	36.5	2Q20	4Q20
Camden Downtown I						
Houston, TX	271	132.0	43.2	43.2	3Q20	1Q21
Camden Lake Eola						
Orlando, FL	360	120.0	27.9	27.9	3Q20	3Q21
Camden Buckhead						
Atlanta, GA	365	160.0	21.0	21.0	3Q21	2Q22
Total	2,378	$ 793.0	$ 413.3	$ 211.1		

(1) Property in lease-up was 58% leased at October 23, 2018.

(2) Property in lease-up was 50% leased at October 23, 2018.

(3) Property in lease-up was 44% leased at October 23, 2018.

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Development Pipeline Communities. At September 30, 2018, we had the following consolidated multifamily communities undergoing development activities:

($ in millions) Property and Location	Projected Homes	Total Estimated Cost (1)	Cost to Date
Camden Atlantic Plantation, FL	269	$ 90.0	$16.4
Camden North End II Phoenix, AZ	326	73.0	14.6
Camden Hillcrest San Diego, CA	125	75.0	27.9
Camden Arts District Los Angeles, CA	354	150.0	20.9
Camden Paces III Atlanta, GA	350	100.0	14.4
Camden Downtown II Houston, TX	271	145.0	10.6
Total	1,695	$ 633.0	$104.8

(1) Represents our estimate of total costs we expect to incur on these projects. However, forward-looking estimates 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 forecast, and estimates routinely require adjustment.

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. Selected weighted averages for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Average monthly property revenue per apartment home	$1,714	$1,634	$1,689	$1,617
Annualized total property expenses per apartment home (1)	$7,474	$7,587	$7,336	$7,175
Weighted average number of operating apartment homes owned 100%	47,010	46,546	46,682	46,103
Weighted average occupancy of operating apartment homes owned 100% (2)	95.8 %	95.9 %	95.6 %	95.3 %

(1) The three and nine months ended September 30, 2017 includes approximately $3.9 million of storm-related expenses relating to Hurricanes Harvey and Irma. If those expenses had been excluded, the annualized property expenses would have been $7,248 and $7,061 for the three and nine months ended September 30, 2018, respectively.

(2) Our one student housing community, which was sold in December 2017, is excluded from this calculation for the three and nine months ended September 30, 2017.

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.

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Reconciliations of net income to NOI for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2018	2017	2018	2017
Net income	$39,990	$35,475	$120,387	$111,778
Less: Fee and asset management income	(1,827)	(2,116)	(5,651)	(5,806)
Less: Interest and other income	(385)	(385)	(1,669)	(1,579)
Less: Income on deferred compensation plans	(3,539)	(3,648)	(3,769)	(11,706)
Plus: Property management expense	6,303	6,201	19,415	19,782
Plus: Fee and asset management expense	1,140	973	3,193	2,818
Plus: General and administrative expense	12,618	12,266	37,113	37,585
Plus: Interest expense	21,235	21,210	62,216	66,132
Plus: Depreciation and amortization expense	76,476	67,014	222,269	195,781
Plus: Expense on deferred compensation plans	3,539	3,648	3,769	11,706
Plus: Loss on early retirement of debt	—	—	—	323
Less: Equity in income of joint ventures	(1,943)	(1,255)	(5,644)	(4,857)
Plus: Income tax expense	330	512	1,098	1,008
Net operating income	$153,937	$139,895	$452,727	$422,965

Property-Level NOI (1)

Property NOI, as reconciled above, is detailed further into the following categories for the three and nine months ended September 30, 2018 as compared to the same periods in 2017:

($ in thousands)	Apartment Homes at	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	9/30/2018	2018	2017	$	%	2018	2017	$	%
Property revenues:									
Same store communities	41,968	$207,312	$201,102	$6,210	3.1 %	$613,873	$594,836	$19,037	3.2 %
Non-same store communities	4,367	25,918	20,798	5,120	24.6	74,924	58,169	16,755	28.8
Development and lease-up communities	3,240	6,443	2,191	4,252	*	14,410	3,097	11,313	*
Dispositions/other	—	2,097	4,087	(1,990)	(48.7)	6,379	14,967	(8,588)	(57.4)
Total property revenues	49,575	$241,770	$228,178	$13,592	6.0 %	$709,586	$671,069	$38,517	5.7 %
Property expenses:									
Same store communities	41,968	$75,369	$73,949	$1,420	1.9 %	$221,597	$216,299	$5,298	2.4 %
Non-same store communities	4,367	9,518	7,662	1,856	24.2	27,715	21,222	6,493	30.6
Development and lease-up communities	3,240	2,371	785	1,586	*	5,432	1,260	4,172	*
Hurricane expenses	—	—	3,944	(3,944)	100.0	—	3,944	(3,944)	100.0
Dispositions/other	—	575	1,943	(1,368)	(70.4)	2,115	5,379	(3,264)	(60.7)
	49,575	$87,833	$88,283	$(450)	(0.5)%	$256,859	$248,104	$8,755	3.5 %

Total property expenses									
Property NOI:									
Same store communities	41,968	$131,943	$127,153	$4,790	3.8 %	$392,276	$378,537	$13,739	3.6 %
Non-same store communities	4,367	16,400	13,136	3,264	24.8	47,209	36,947	10,262	27.8
Development and lease-up communities	3,240	4,072	1,406	2,666	*	8,978	1,837	7,141	*
Hurricane expenses	—	—	(3,944)	3,944	(100.0)	—	(3,944)	3,944	(100.0)
Dispositions/other	—	1,522	2,144	(622)	(29.0)	4,264	9,588	(5,324)	(55.5)
Total property NOI	49,575	$153,937	$139,895	$14,042	10.0 %	$452,727	$422,965	$29,762	7.0 %

* Not a meaningful percentage.

(1) Same store communities are communities we owned and were stabilized since January 1, 2017, excluding communities under redevelopment and properties held for sale. Non-same store communities are stabilized communities not owned or stabilized since January 1, 2017, including communities under redevelopment and excluding properties held for sale. We define communities under redevelopment as communities with capital expenditures that improve a community's cash flow and competitive position through extensive unit, exterior building, common area, and amenity upgrades. 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 developed since January 1, 2017, excluding properties held for sale. Hurricane expenses include storm-related damages related to Hurricanes Harvey and Irma in the third quarter of 2017. Dispositions/other includes those communities disposed of or held for sale which are not classified as discontinued operations, and non-multifamily rental properties and expenses related to land holdings not under active development.

Same Store Analysis

Same store property NOI increased approximately $4.8 million and $13.7 million for the three and nine months ended September 30, 2018, as compared to the same periods in 2017. These increases were due to increases of approximately $6.2 million and $19.0 million in same store property revenues for the three and nine months ended September 30, 2018, respectively, partially offset by increases of approximately $1.4 million and $5.3 million in same store property expenses for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017.

The $6.2 million increase in same store property revenues during the three months ended September 30, 2018, as compared to the same period in 2017, was primarily due to a $5.4 million increase in average rental rates. The increase in same store property revenues was also due to an increase in income from our bulk Internet rebilling program during the three months ended September 30, 2018, as compared to the same period in 2017. The $19.0 million increase in same store property revenues during the nine months ended September 30, 2018, as compared to the same period in 2017, was primarily due to a $13.9 million increase in average rental rates for the nine months ended September 30, 2018, as compared to the same period in 2017, and a $1.4 million increase in average occupancy from our same store portfolio for the nine months ended September 30, 2018, as compared to the same period in 2017. The increases in same store property revenues for the nine months ended September 30, 2018 were also due to increases in income from our bulk Internet rebilling program.

The $1.4 million increase in same store property expenses during the three months ended September 30, 2018, as compared to the same period in 2017, was primarily due to an increase of approximately $1.3 million in real estate taxes as a result of increased property valuations and tax rates at a number of our communities, higher salary expenses of approximately $0.2 million, and higher utility and property insurance expenses of approximately $0.4 million. The increase for the three months ended September 30, 2018 was partially offset by an approximate $0.5 million decrease related to lower repair and maintenance costs as compared to the same period in 2017. The $5.3 million increase in same store property expenses during the nine months ended September 30, 2018, as compared to the same period in 2017, was primarily due to an increase of approximately $3.1 million in real estate taxes as a result of increased property valuations and tax rates at a number of our communities, higher salary expenses of approximately $1.7 million, higher property general and administrative expenses of approximately $0.5 million, and increased costs of approximately $0.9 million associated with higher utility expenses incurred. The increase for the nine months ended September 30, 2018 was partially offset by an approximate $1.3 million decrease related to lower repair and maintenance costs as compared to the same period in 2017.

Non-same Store and Development and Lease-up Analysis

Property NOI from non-same store and development and lease-up communities increased approximately $5.9 million and $17.4 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These increases were due to increases of approximately $9.4 million and $28.1 million in revenues, partially offset by increases of approximately $3.5 million and $10.7 million in expenses, for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. The increases in property revenues and expenses from our non-same store communities were primarily due to the acquisition of one operating property during 2017 and three operating properties during the nine months ended September 30, 2018, and four operating properties reaching stabilization during 2017 and the nine months ended September 30, 2018. The 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 2017 and the nine months ended September 30, 2018, and the partial lease-up of three properties which were under construction at September 30, 2018.

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The following table details the changes, described above, relating to non-same store and development and lease up NOI:

(in millions)	For the three months ended September 30, 2018 as compared to 2017	For the nine months ended September 30, 2018 as compared to 2017
Property Revenues:		
Revenues from acquisitions	$ 4.3	$ 13.3
Revenues from non-same store stabilized properties	0.8	3.9
Revenues from development and lease-up properties	4.3	11.3
Other	—	(0.4)
	$ 9.4	$ 28.1
Property Expenses:		
Expenses from acquisitions	$ 1.7	$ 5.5
Expenses from non-same store stabilized properties	0.3	1.1
Expenses from development and lease-up properties	1.6	4.2
Other	(0.1)	(0.1)
	$ 3.5	$ 10.7
Property NOI:		
NOI from acquisitions	$ 2.6	$ 7.8
NOI from non-same store stabilized properties	0.5	2.8
NOI from development and lease-up properties	2.7	7.1
Other	0.1	(0.3)
	$ 5.9	$ 17.4

Hurricane Expenses

Our wholly-owned multifamily communities impacted by Hurricanes Harvey and Irma in the third quarter of 2017 incurred approximately $3.9 million of storm-related expenses during the three and nine months ended September 30, 2017.

Dispositions/Other Property Analysis

Dispositions/other property NOI decreased approximately $0.6 million and $5.3 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These decreases were primarily due to the disposition of one operating property during the fourth quarter of 2017.

Non-Property Income

($ in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
Fee and asset management	$1,827	$2,116	$(289)	(13.7)%	$5,651	$5,806	$(155)	(2.7)%
Interest and other income	385	385	—	—	1,669	1,579	90	5.7
Income on deferred compensation plans	3,539	3,648	(109)	(3.0)	3,769	11,706	(7,937)	(67.8)
Total non-property income	$5,751	$6,149	$(398)	(6.5)%	$11,089	$19,091	$(8,002)	(41.9)%

Fee and asset management income, which represents income related to property management of our joint ventures and fees from third party construction projects, decreased approximately $0.3 million and $0.2 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These decreases were

primarily due to decreases in third-party construction activity partially offset by increases in property revenues by the operating properties of the Funds, which resulted in higher property management fees.
Our deferred compensation plans recognized income of approximately $3.5 million and $3.6 million during the three months ended September 30, 2018 and 2017, respectively and income of approximately $3.8 million and $11.7 million during the nine months ended September 30, 2018 and 2017, 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.

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Other Expenses

($ in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
Property management	$6,303	$6,201	$102	1.6 %	$19,415	$19,782	$(367)	(1.9)%
Fee and asset management	1,140	973	167	17.2	3,193	2,818	375	13.3
General and administrative	12,618	12,266	352	2.9	37,113	37,585	(472)	(1.3)
Interest	21,235	21,210	25	0.1	62,216	66,132	(3,916)	(5.9)
Depreciation and amortization	76,476	67,014	9,462	14.1	222,269	195,781	26,488	13.5
Expense on deferred compensation plans	3,539	3,648	(109)	(3.0)	3,769	11,706	(7,937)	(67.8)
Total other expenses	$121,311	$111,312	$9,999	9.0 %	$347,975	$333,804	$14,171	4.2 %

Property management expense, which represents regional supervision and accounting costs related to property operations, increased slightly for the three months ended September 30, 2018, and decreased approximately $0.4 million for the nine months ended September 30, 2018, as compared to the same periods in 2017. The decrease for the nine months ended September 30, 2018 primarily related to lower professional expenses and timing of education programs provided to our regional employees. Property management expenses were 2.6% and 2.7% of total property revenues for the three months ended September 30, 2018 and 2017, respectively, and were 2.7% and 2.9% of total property revenues for the nine months ended September 30, 2018 and 2017, respectively.

Fee and asset management expense, which represents expenses related to property management of our joint venture and fees from third-party construction projects, increased approximately $0.2 million and $0.4 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These increases were primarily due to higher expenses incurred as a result of pre-development activity relating to one land holding held by one of the Funds, and higher salaries incurred in managing our joint ventures.

General and administrative expense increased approximately $0.4 million for the three months ended September 30, 2018 and decreased approximately $0.5 million for the nine months ended September 30, 2018, as compared to the same periods in 2017. The increase for the three months ended September 30, 2018 was primarily related to higher salary and benefit costs and higher professional fees as compared to the same period in 2017, and partially offset by higher expenses incurred in 2017 relating to storm-related expenses of approximately $0.7 million due to Hurricanes Harvey and Irma in the third quarter of 2017. The decrease for the nine months ended September 30, 2018 was primarily due to lower professional fees and other discretionary costs during 2018, and the higher storm-related expenses of approximately $0.7 million as discussed above. The decrease for the nine months ended September 30, 2018 was partially offset by higher salary and benefit costs. General and administrative expenses were 5.2% and 5.3% of total revenues, excluding income on deferred compensation plans, for the three months ended September 30, 2018 and 2017, respectively, and were 5.2% and 5.5% of total revenues, excluding income on deferred compensation plans, for the nine months ended September 30, 2018 and 2017, respectively.

Interest expense was relatively flat for the three months ended September 30, 2018 and decreased approximately $3.9 million for the nine months ended September 30, 2018, as compared to the same periods in 2017. The decrease for the nine months ended September 30, 2018 was primarily due to the repayment of $246.8 million, 5.83% senior unsecured notes payable in May 2017. The decrease was partially offset by lower capitalized interest during the nine months ended September 30, 2018 resulting from lower average balances in our development pipeline and an increase in interest expense recognized on our variable rate debt due to higher weighted average interest rates during the nine months ended September 30, 2018 as compared to the same period in 2017.

Depreciation and amortization expense increased approximately $9.5 million and $26.5 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These increases were primarily due to the acquisition of one operating property in 2017, two operating properties in January and February 2018, the completion of units in our development pipeline, and the completion of repositions and redevelopments during 2018 and 2017. These increases were partially offset by the disposition of one operating property during the fourth quarter of 2017.

Our deferred compensation plans incurred expenses of approximately $3.5 million and $3.6 million during the three months ended September 30, 2018 and 2017, respectively, and expenses of approximately $3.8 million and $11.7 million during the nine months ended September 30, 2018 and 2017, 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.

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Other

($ in thousands)	Three Months Ended September 30, 2018	2017	Change $	%	Nine Months Ended September 30, 2018	2017	Change $	%
Loss on early retirement of debt	$—	$—	$—	— %	$—	$(323)	$323	100.0 %
Equity in income of joint ventures	$1,943	$1,255	$688	54.8 %	$5,644	$4,857	$787	16.2 %
Income tax expense	$(330)	$(512)	$182	(35.5)%	$(1,098)	$(1,008)	$(90)	(8.9)%

The $0.3 million loss on early retirement of debt during the nine months ended September 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 primarily includes the applicable unamortized loan costs related to this notes payable.
Equity in income of joint ventures increased approximately $0.7 million and $0.8 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. These increases were primarily due to having higher expenses during the three and nine months ended September 30, 2017 relating to Hurricanes Harvey and Irma related expenses of approximately $0.4 million. These increases were also due to increases in earnings during the three and nine months ended September 30, 2018 as compared to the same periods in 2017, resulting from the operating properties owned by the Funds.
Income tax expense decreased approximately $0.2 million during the three months ended September 30, 2018 and increased approximately $0.1 million during the nine months ended September 30, 2018, as compared to the same periods in 2017. The decrease for the three months ended September 30, 2018 was primarily due to lower taxable income due to lower third-party construction activities in a taxable REIT subsidiary and a reduction in the effective tax rate following the enactment of the 2017 Tax Act passed in December 2017. The increase during the nine months ended September 30, 2018, was primarily due to an approximate $0.5 million state income tax refund received during the three months ended June 30, 2017. Excluding the income tax refund received in 2017, income tax expense decreased approximately $0.4 million for the nine months ended September 30, 2018 as compared to the same period in 2017. This decrease was primarily due to lower taxable income related to lower third-party construction activities in a taxable REIT subsidiary and a reduction in the effective tax rate following the enactment of the 2017 Tax Act.
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.

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 to 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.

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Reconciliations of net income attributable to common shareholders to FFO and AFFO for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2018	2017	2018	2017
Funds from operations				
Net income attributable to common shareholders (1)	$38,866	$34,384	$116,932	$108,433
Real estate depreciation and amortization	74,841	65,489	217,416	191,092
Adjustments for unconsolidated joint ventures	2,239	2,223	6,743	6,650
Income allocated to non-controlling interests	1,124	1,091	3,455	3,345
Funds from operations	$117,070	$103,187	$344,546	$309,520
Less: recurring capitalized expenditures	(19,849)	(17,506)	(49,038)	(43,975)
Adjusted funds from operations	$97,221	$85,681	$295,508	$265,545
Weighted average shares – basic	95,257	91,011	95,190	90,351
Incremental shares issuable from assumed conversion of:				
Common share options and awards granted	160	217	143	189
Common units	1,821	1,883	1,861	1,884
Weighted average shares – diluted	97,238	93,111	97,194	92,424

(1) Net income attributable to common shareholders for the three and nine months ended September 30, 2017 included approximately $5.0 million of storm-related expenses related to Hurricanes Harvey and Irma.

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 6.4 and 5.8 times for the three months ended September 30, 2018 and 2017, respectively, and 6.4 and 5.6 times for the nine months ended September 30, 2018 and 2017, respectively. 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 and discontinued operations. Approximately 81.0% and 80.1% of our properties were unencumbered at September 30, 2018 and 2017, respectively. In October 2018, we repaid $380 million of secured conventional mortgage notes as further described in Note 8, "Notes Payable," and approximately 90% of our properties were unencumbered following the repayment. Our weighted average maturity of debt was approximately 3.4 years at September 30, 2018.

Our primary sources of liquidity are 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 borrowing, 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 2018 including:

- normal recurring operating expenses;

- current debt service requirements;

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- 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 nine months ended September 30, 2018 and 2017:

Net cash from operating activities was approximately $376.0 million during the nine months ended September 30, 2018 as compared to approximately $333.9 million for the same period in 2017. The increase was primarily due to growth attributable to our same store, non-same store, including four acquisitions during 2017 and 2018, and development and lease-up communities, partially offset by a decrease relating to the disposition of one operating property during the fourth quarter of 2017. See further discussions of our 2018 operations as compared to 2017 in "Results of Operations."

Net cash used in investing activities during the nine months ended September 30, 2018 totaled approximately $551.8 million as compared to $180.0 million during the same period in 2017. Cash outflows during the nine months ended September 30, 2018, primarily related to the acquisition of three operating properties located in St. Petersburg and Orlando, Florida for approximately $290.0 million, cash outflows for property development and capital improvements of approximately $272.3 million, and increases in non-real estate assets of $12.4 million. These outflows during 2018 were partially offset by proceeds from sale of land of approximately $11.3 million and a net decrease in notes receivable of $9.5 million. Cash outflows during the nine months ended September 30, 2017 primarily related to cash outflows for property development and capital improvements of approximately $219.8 million and the acquisition of one operating property located in Atlanta, Georgia for approximately $58.3 million. These outflows during 2017 were partially offset by cash inflows of $100.0 million from the maturity of a short-term investment. The increase in property development and capital improvements for the nine months ended September 30, 2018, as compared to the same period in 2017, was primarily due to the timing and completion of four consolidated operating properties during 2017 and the nine months ended September 30, 2018, and the completion of repositions and redevelopments at several of our operating properties. The property development and capital improvements during the nine months ended September 30, 2018 and 2017, included the following:

	Nine Months Ended September 30,	
(in millions)	2018	2017
Expenditures for new development, including land	$140.9	$126.3
Capital expenditures	58.8	49.3
Reposition expenditures	35.9	24.4
Capitalized interest, real estate taxes, and other capitalized indirect costs	19.1	19.1
Redevelopment expenditures	17.6	0.7
Total	$272.3	$219.8

Net cash used in financing activities totaled approximately $183.4 million for the nine months ended September 30, 2018 as compared to approximately $40.2 million during the same period in 2017. Cash outflows during the nine months ended September 30, 2018, primarily related to approximately $223.0 million used for the distributions to common shareholders and non-controlling interest holders, and approximately $14.7 million used for the repurchase of our common shares and redemption of units. These cash outflows during 2018 were partially offset by net proceeds from our unsecured line of credit and other short-term borrowings of $54.0 million. Cash outflows for the nine months ended September 30, 2017 primarily related to the repayment of our 5.83% senior unsecured note payable of approximately $246.8 million, as well as our tax-exempt secured notes payable of approximately $30.7 million. We also used approximately $207.8 million to pay distributions to common shareholders and non-controlling interest holders. These cash outflows during 2017 were partially offset by net proceeds of approximately $445.0 million from the issuances of approximately 4.8 million common shares through an equity offering completed in September 2017 and issuances under our 2017 ATM program.

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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 September 30, 2018, we had $30.0 million balances outstanding on our credit facility and we had outstanding letters of credit totaling approximately $10.1 million, leaving approximately $559.9 million available under our credit facility.

We also have a $45.0 million unsecured short-term borrowing facility which matures in May 2019. The interest rate is based on LIBOR plus 0.95%. At September 30, 2018, we had $24.0 million outstanding on this unsecured short-term borrowing facility, leaving $21.0 million available under this facility.

In September 2018, we entered into a $100.0 million three-year unsecured floating-rate term loan which was funded on October 1, 2018. In October 2018, we issued $400.0 million of senior unsecured notes due October 15, 2028 under our existing shelf registration statement. In October 2018, we also repaid $380.0 million of secured conventional mortgage notes and have no scheduled payments of debt for the remainder of 2018. Also in October 2018, we paid our other short-term borrowings which was included in the 2019 maturity as well as the outstanding balances on our unsecured line of credit scheduled to mature in 2020. Excluding the short-term borrowings paid in October 2018, we believe scheduled payments of debt in 2019 are manageable at approximately $438.0 million.

We currently have an automatic shelf registration statement which allows us to offer common shares, preferred shares, debt securities, or warrants, and 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 September 30, 2018, we had approximately 93.1 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 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. For the three and nine months ended September 30, 2018, and through the date of this filing, we did not sell any shares under the 2017 ATM program. As of the date of this filing, we had common shares having an aggregate offering price of up to $312.8 million remaining available for sale under the 2017 ATM program.

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 positive 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.

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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. In October 2018, we used net proceeds from the 2028 Notes to repay amounts outstanding on our unsecured credit facilities and also repaid at maturity $380 million secured conventional mortgage notes and have no scheduled payments of debt for the remainder of 2018. See Note 8, "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 eight consolidated projects to be approximately $379.7 million. Of this amount, we expect to incur costs between approximately $45 million and $55 million during the remainder of 2018 and to incur the remaining costs during 2019 through 2021. Additionally, during the remainder of 2018, we expect to incur costs between approximately $11 million and $13 million of repositions and revenue enhancing expenditures, approximately $9 million to $11 million of additional redevelopment expenditures and approximately $19 million to $23 million of additional recurring capital expenditures.

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 borrowing, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our 2017 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 September 2018, our Board of Trust Managers declared a quarterly dividend of $0.77 per common share to our common shareholders of record as of September 28, 2018. The quarterly dividend was subsequently paid on October 17, 2018, and we paid equivalent amounts per unit to holders of the common operating partnership units. Assuming similar quarterly dividend distributions for the remainder of 2018, our annualized dividend rate would be $3.08 per share or unit.

Off-Balance Sheet Arrangements

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. At September 30, 2018, our unconsolidated joint ventures had outstanding debt of approximately $511.7 million, of which our proportionate share was approximately $160.2 million. As of September 30, 2018, 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 seventeen 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, 2017.

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 or adopted during the nine months ended September 30, 2018.

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, 2017.

Item 4. Controls and Procedures

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

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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, 2017.

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

There were no repurchases of our equity securities for the three months ended September 30, 2018.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

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Item 6. Exhibits
(a)
Exhibits

4.1	Third Supplemental Indenture dated as of October 4, 2018 between the Company and U.S. Bank National Association, as successor to SunTrust Bank, as trustee. (Incorporated herein by reference to Exhibit 4.4 to Form 8-K filed by Camden Property Trust on October 4, 2018 (File No. 1-12110).)
4.2	Form of Camden Property Trust 4.100% Note due 2028. (Incorporated herein by reference to Exhibit 4.5 to Form 8-K filed by Camden Property Trust on October 4, 2018 (File No. 1-12110).)
10.1	Agreement, dated as of September 14, 2018, among William F. Paulsen, the 2014 Amended and Restated William B. McGuire Junior Revocable Trust, David F. Tufaro, McGuire Family DE 2012 LP, William B. McGuire, Jr., Susanne H. McGuire, Camden Property Trust, Camden Summit, Inc. and Camden Summit Partnership, L.P. (Incorporated herein by reference to Exhibit 99.1 to Form 8-K filed by Camden Property Trust on September 17, 2018 (File No. 1-12110).)
*31.1	Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated October 26, 2018
*31.2	Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated October 26, 2018
*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.

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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	October 26, 2018
Michael P. Gallagher	Date
Senior Vice President – Chief Accounting Officer	

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Exhibit Index

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