
Avalon Saugus
Saugus, MA


AVA Esterra Park
Redmond, WA


eaves Seal Beach
Seal Beach, CA

AvalonBay
COMMUNITIES

INVESTOR TELECONFERENCE
PRESENTATION

Second Quarter 2020
July 29, 2020

See Appendix for information about forward-looking statements and definitions of non-GAAP financial measures and other terms.

For the reasons described in the referenced forward-looking statements, including the impact of the COVID-19 pandemic and related governmental actions and changes in economic conditions, our historical results may not be indicative of future results.

AvalonBay COMMUNITIES

PARTICIPANTS

TIM NAUGHTON	CHAIRMAN & CHIEF EXECUTIVE OFFICER
KEVIN O'SHEA	CHIEF FINANCIAL OFFICER
MATT BIRENBAUM	CHIEF INVESTMENT OFFICER
SEAN BRESLIN	CHIEF OPERATING OFFICER

Review of second quarter and year-to-date results

Q2 & YTD 2020 RESULTS	Q2	YTD
CORE FFO PER SHARE CHANGE	(1.8%)	0.9%
SAME-STORE YEAR-OVER-YEAR RENTAL REVENUE CHANGE | EXCLUDING RETAIL	(2.9%) | (2.2%)	0.1% | 0.4%
SAME-STORE SEQUENTIAL RENTAL REVENUE CHANGE | EXCLUDING RETAIL	(4.5%) | (3.9%)	N/A
DEVELOPMENT COMPLETIONS | WTD. AVG. INITIAL PROJECTED STABILIZED YIELD	N/A	$ 215M | 6.4%
CAPITAL RAISED | WTD. AVG. INITIAL COST OF CAPITAL(1)	$ 715M | ≈ 2.8%	$ 1.6B | ≈ 2.9%

Source: Company reports.
See Appendix for a reconciliation of Net Income attributable to common shareholders to FFO and to Core FFO.
(1) Capital raised includes net proceeds from all debt issuances, wholly-owned dispositions (including residential condominium sales at The Park Loggia), and distributions from unconsolidated real estate entities. Weighted average initial cost of capital includes all debt (inclusive of the effect of interest rate hedges) issuances, and wholly-owned dispositions (including the average imputed carry cost of the residential condominiums at the Park Loggia) only.

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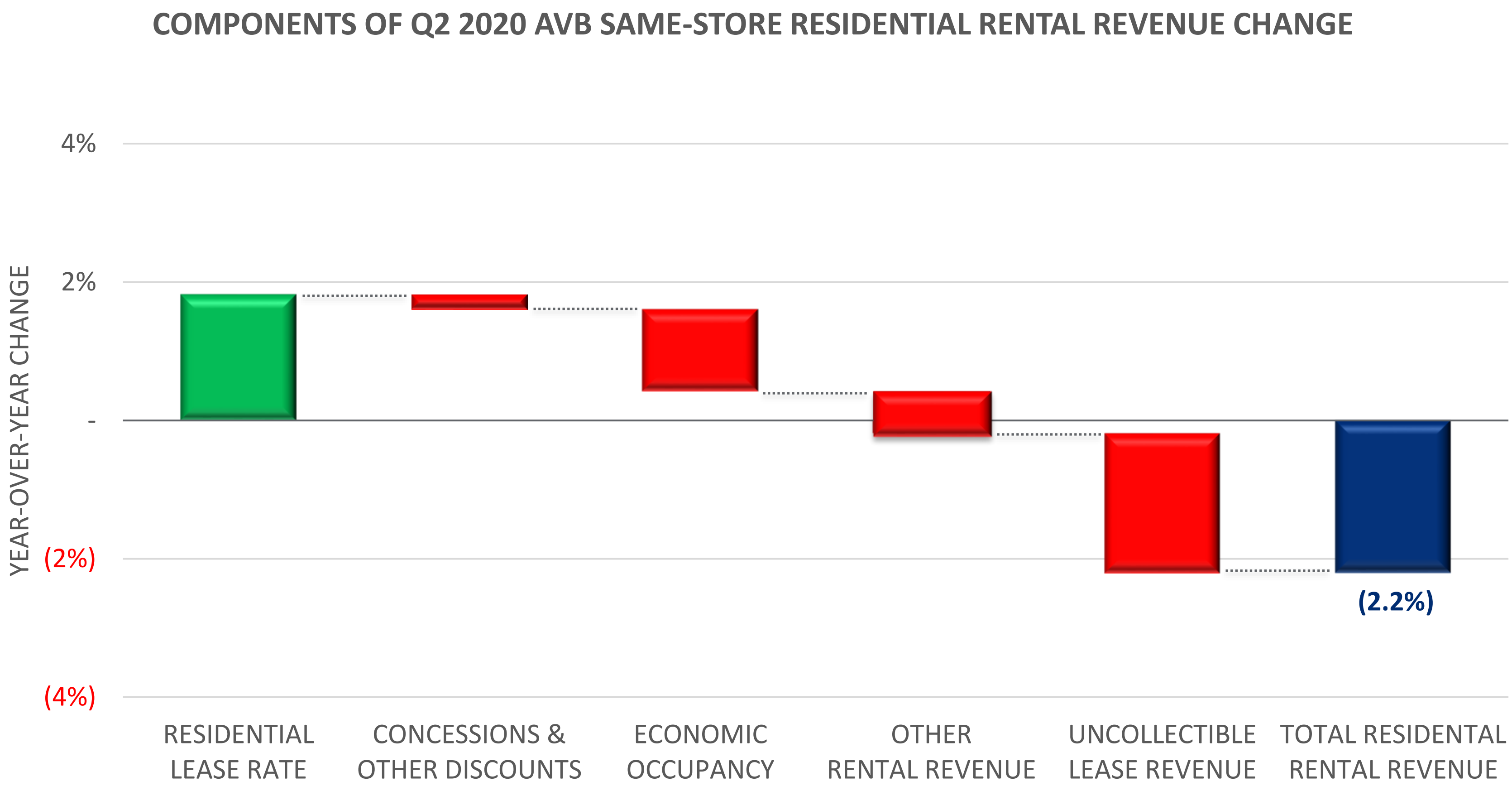
Decline in Q2 Residential Rental Revenue driven primarily by occupancy and uncollectible lease revenue



Source: Company reports.
The Company amortizes concessions over the term of the lease.

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In addition to weak macro fundamentals, factors unique to this downturn weighing on performance

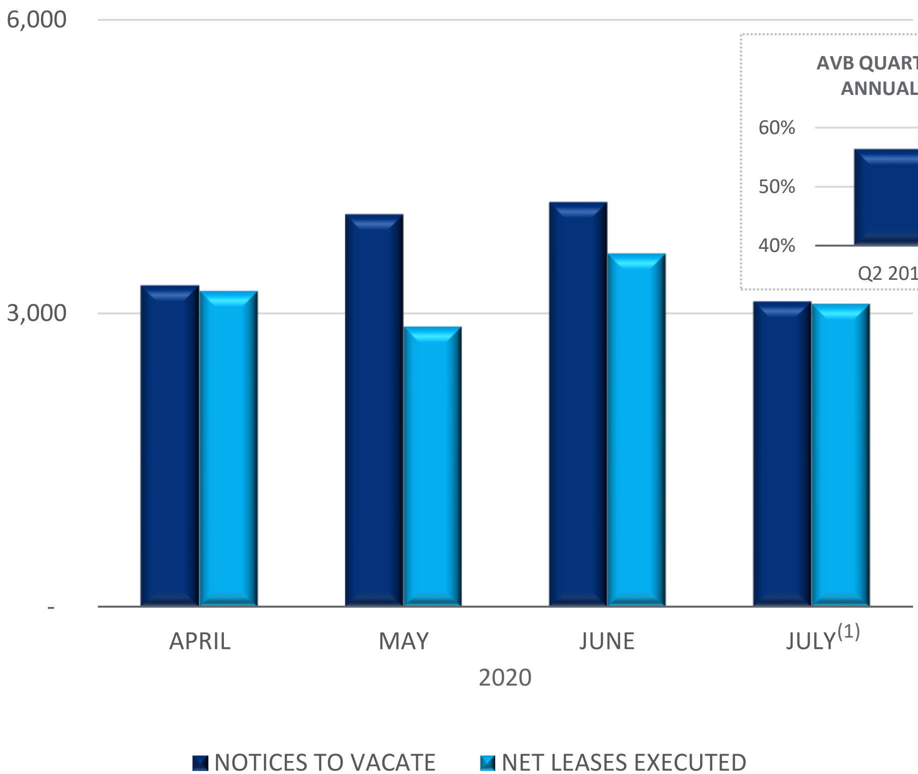
- Pandemic and work from home flexibility shifting renter demand away from higher cost and urban/infill locations
- Record low mortgage rates and desire for more space spurring home sales
- Corporate demand greatly reduced by pandemic / work from home
- Reduced student demand in many urban submarkets

AvalonBay
COMMUNITIES

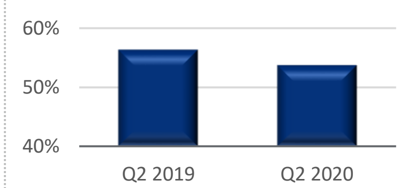
Q2 TURNOVER DOWN ≈ 5% YEAR-OVER-YEAR,
BUT MOVE-OUTS STILL EXCEEDED MOVE-INS GIVEN WEAKER DEMAND…

1

AVB MONTHLY SAME-STORE NOTICES TO VACATE AND NET LEASES EXECUTED

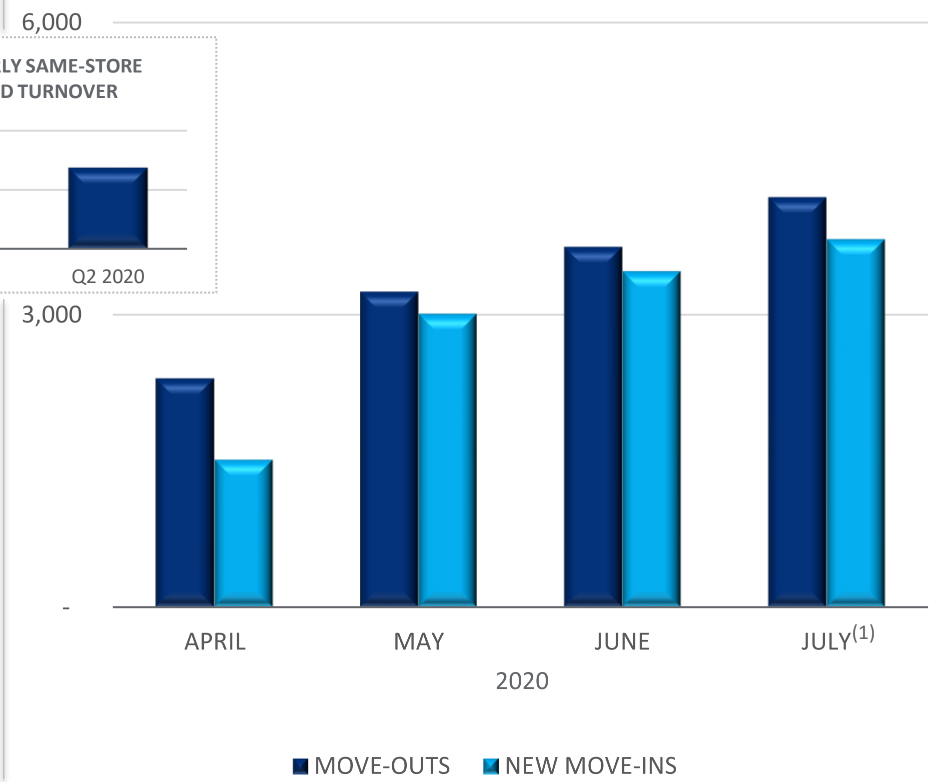


AVB QUARTERLY SAME-STORE ANNUALIZED TURNOVER



2

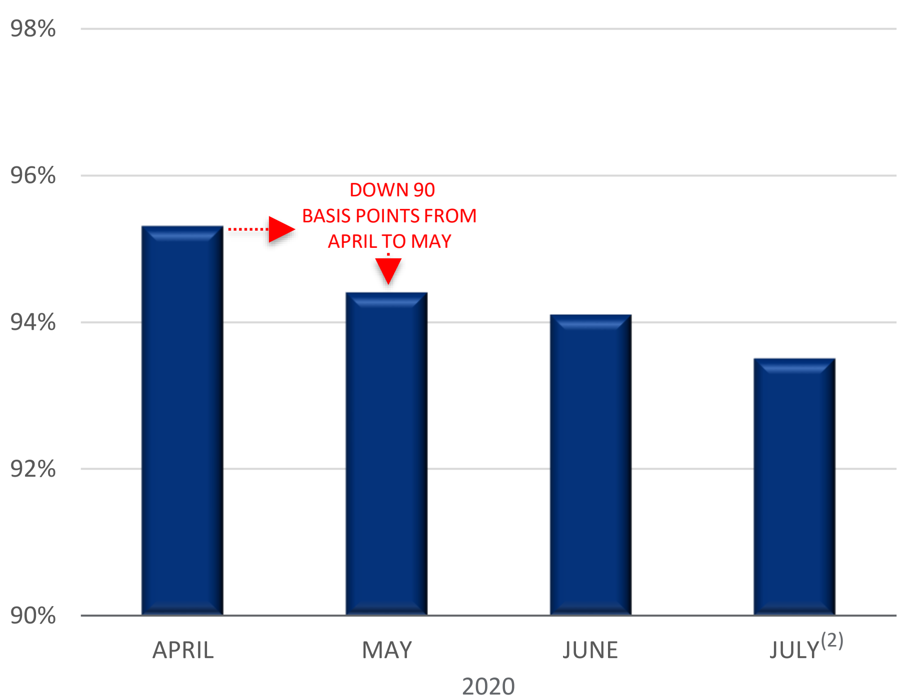
AVB MONTHLY SAME-STORE MOVE-OUTS AND NEW MOVE-INS



Source: Company reports.
(1) As of July 27, 2020.

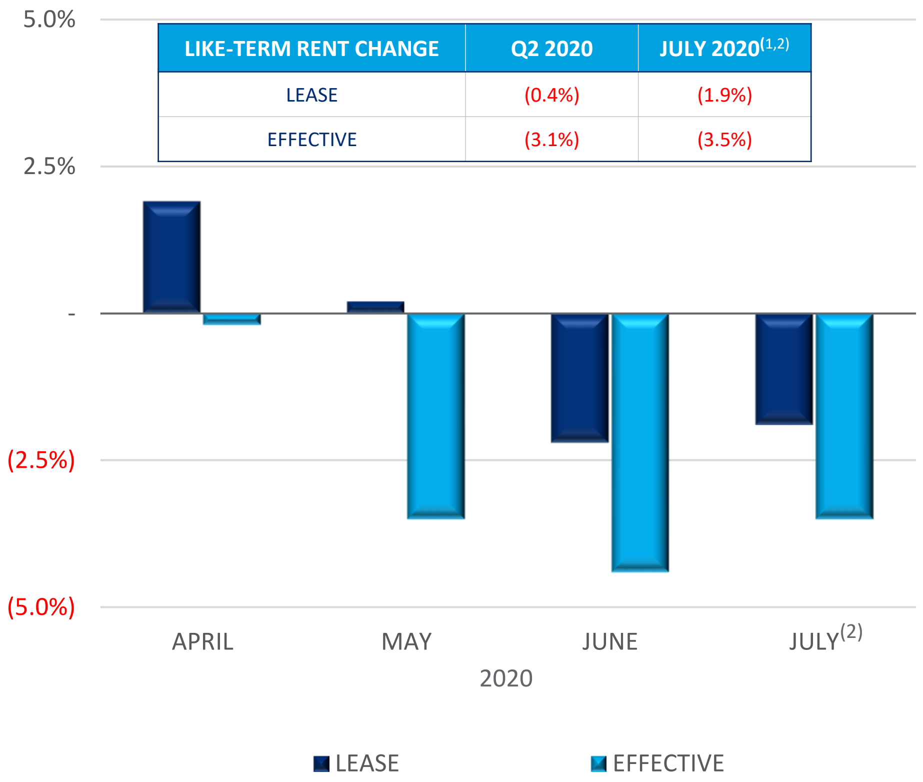
...PRESSURING OCCUPANCY AND RENT CHANGE

1 AVB MONTHLY SAME-STORE PHYSICAL OCCUPANCY



2 AVB MONTHLY SAME-STORE LIKE-TERM RENT CHANGE[1]

LIKE-TERM RENT CHANGE	Q2 2020	JULY 2020[1,2]
LEASE	(0.4%)	(1.9%)
EFFECTIVE	(3.1%)	(3.5%)

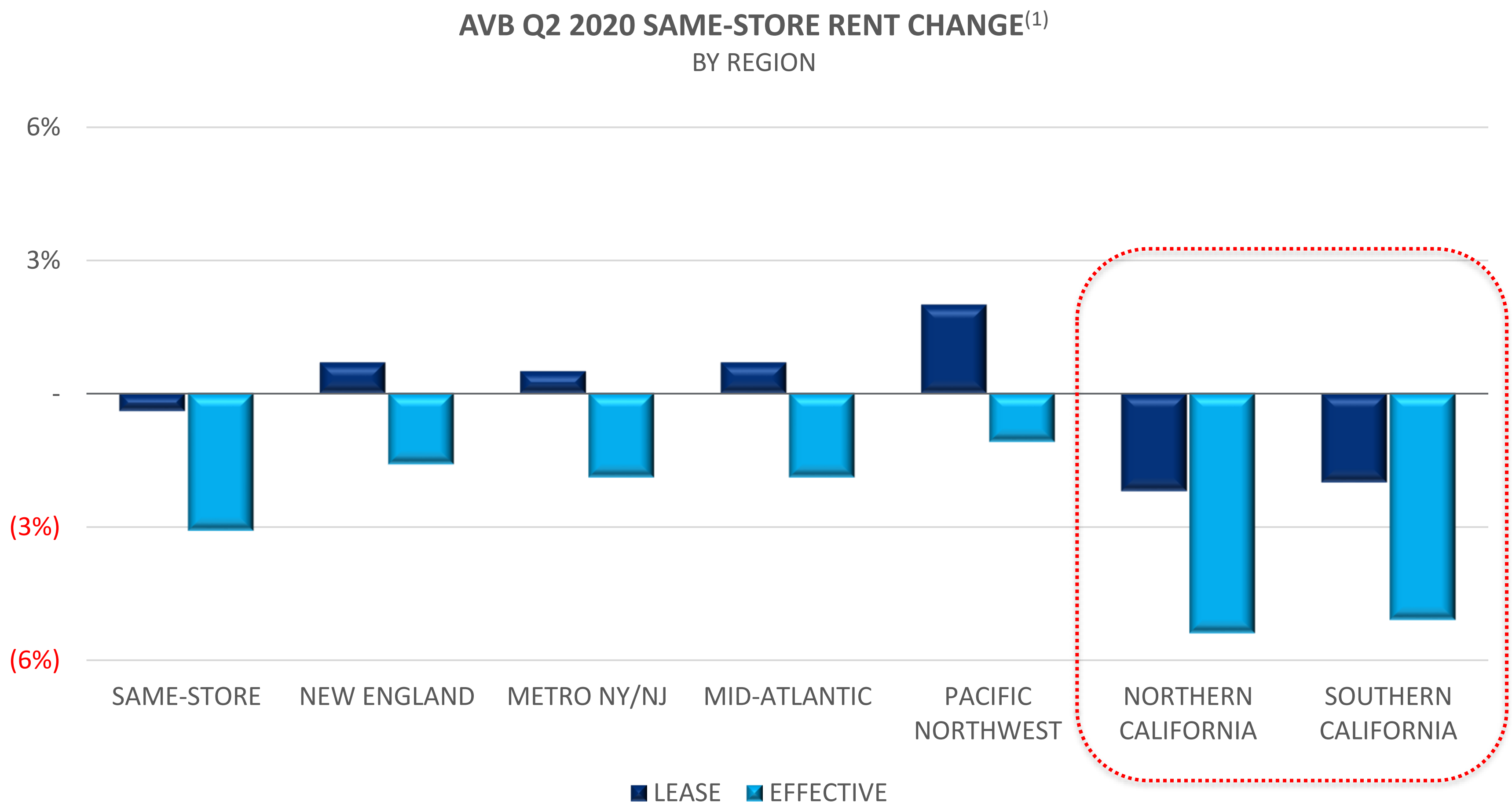


Source: Company reports.

(1) Like-term lease rent change excludes the effect of concessions; Like-term effective rent change includes the effect of concessions, which are amortized over the term of the lease.

(2) As of July 27, 2020.

Lease rent change was about flat overall, but effective rent change was down in all regions; California challenged



Source: Company reports.

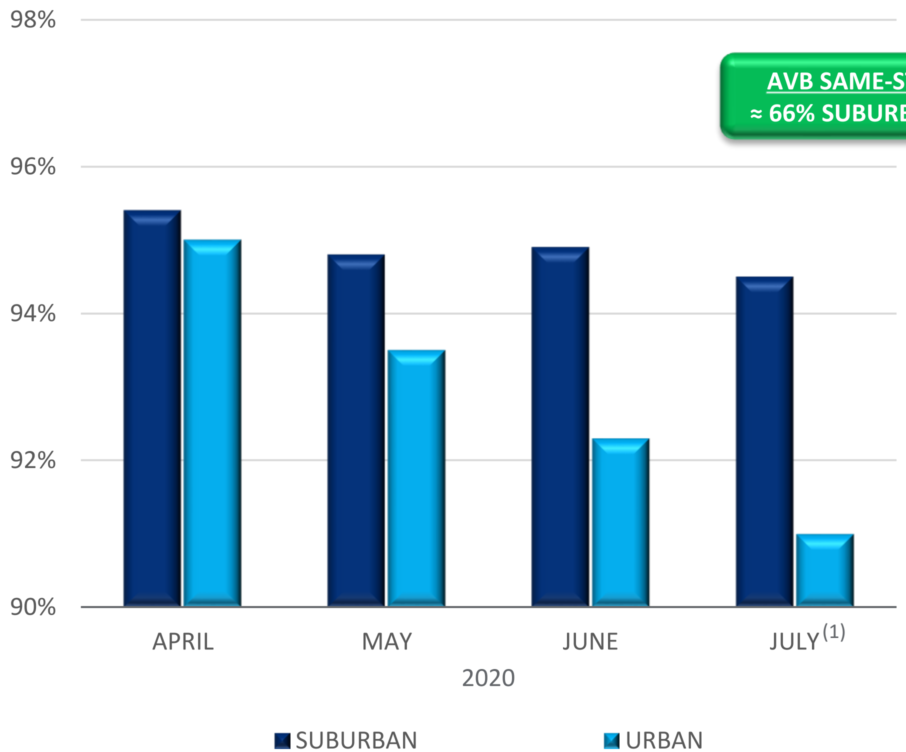
(1) Like-term lease rent change excludes the effect of concessions; Like-term effective rent change includes the effect of concessions, which are amortized over the term of the lease.

AvalonBay COMMUNITIES

OCCUPANCY AND RENT CHANGE IN SUBURBAN SUBMARKETS STRONGER THAN IN URBAN SUBMARKETS

1

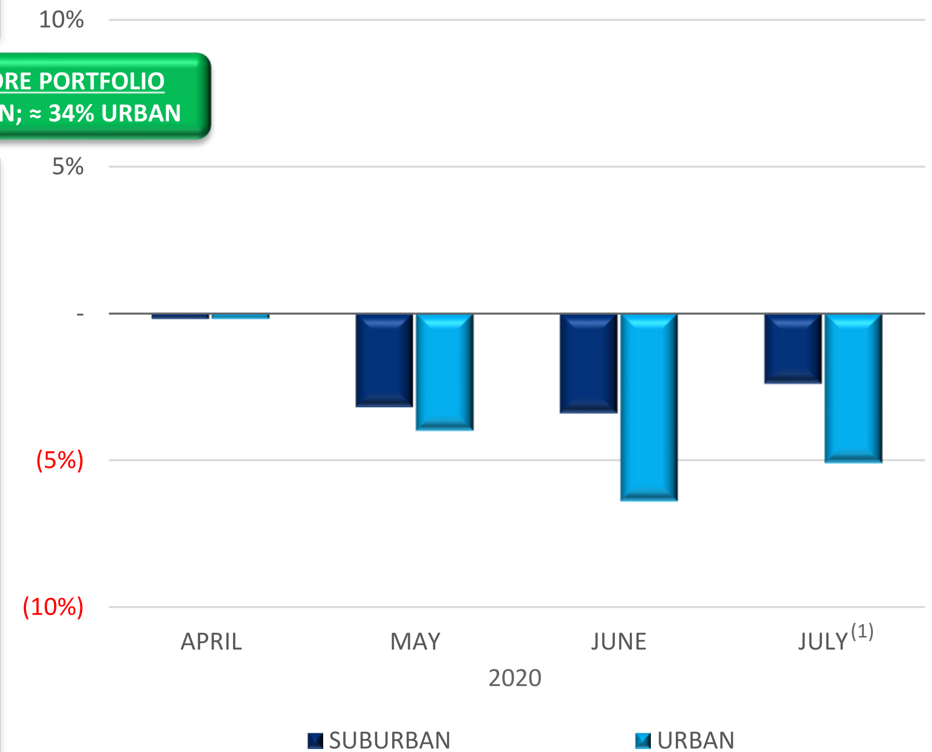
AVB MONTHLY SAME-STORE PHYSICAL OCCUPANCY
BY SUBMARKET TYPE



AVB SAME-STORE PORTFOLIO
≈ 66% SUBURBAN; ≈ 34% URBAN

2

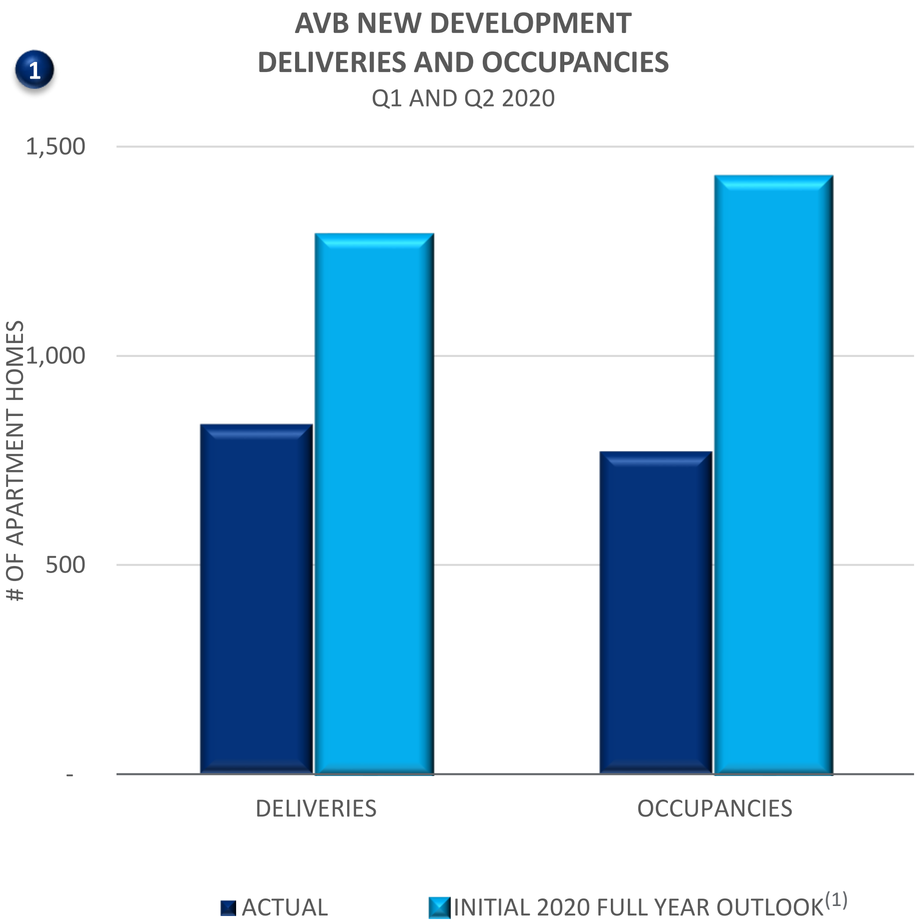
AVB MONTHLY SAME-STORE EFFECTIVE RENT CHANGE
BY SUBMARKET TYPE



Source: Company reports.
The Company defines urban submarkets as those with more then 3,500 households per square mile.
(1) As of July 27, 2020.

DELIVERY DELAYS AND LOWER ABSORPTION REDUCING LEASE-UP NOI FROM NEW DEVELOPMENT

1



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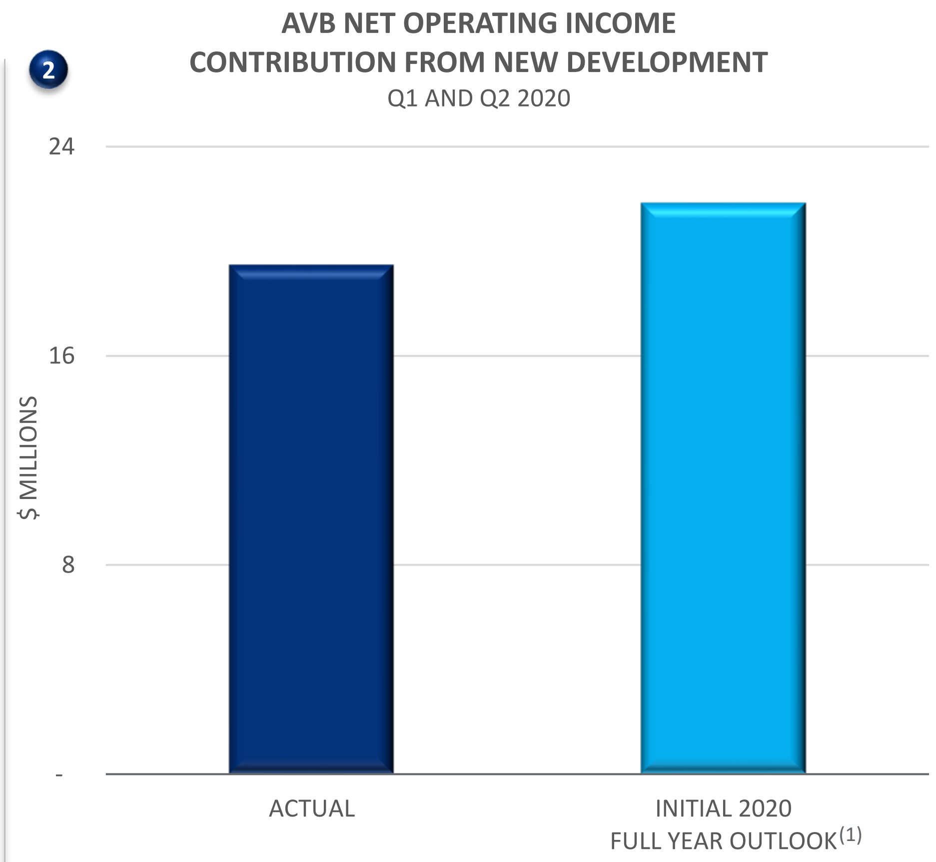
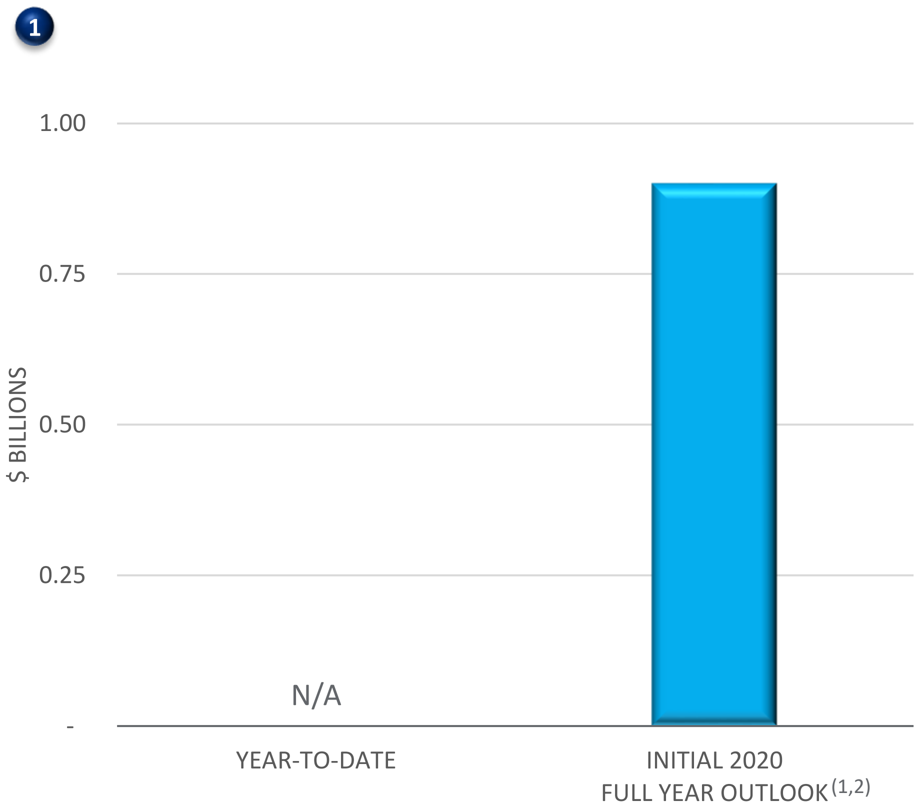


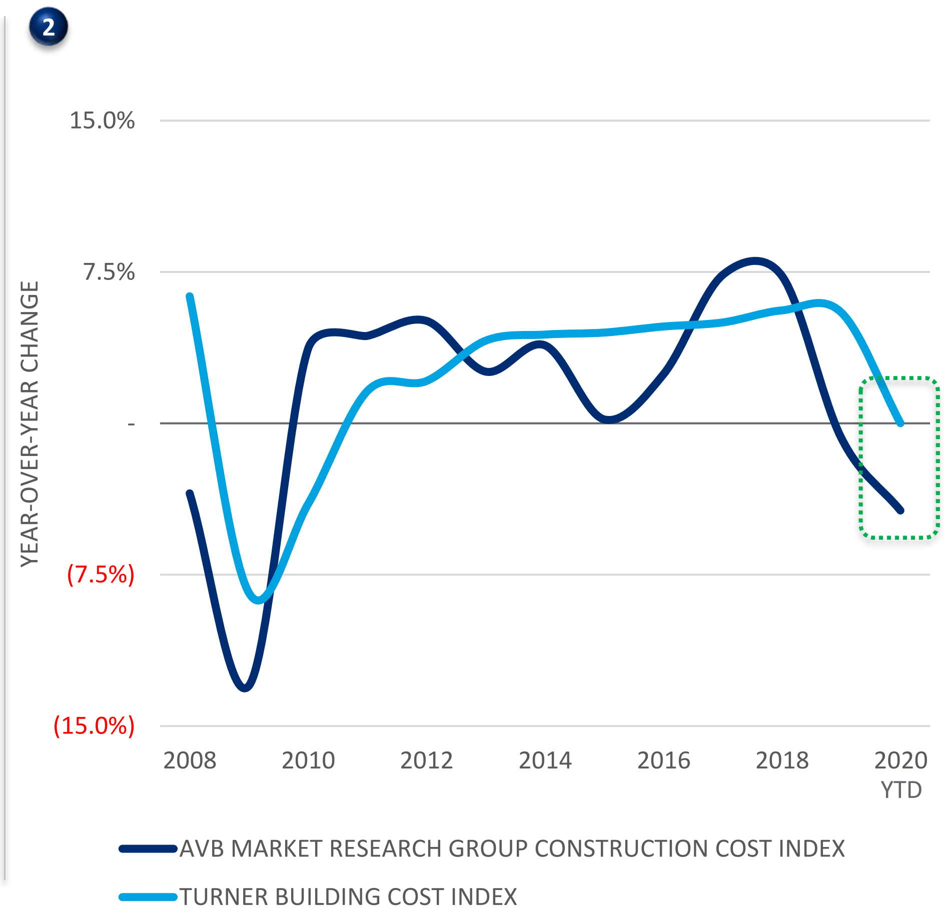
Source: Company reports.
(1) As published on February 5th, 2020.

DELAYING NEW STARTS AS CONSTRUCTION COSTS ARE JUST BEGINNING TO CORRECT

2020 AVB DEVELOPMENT STARTS

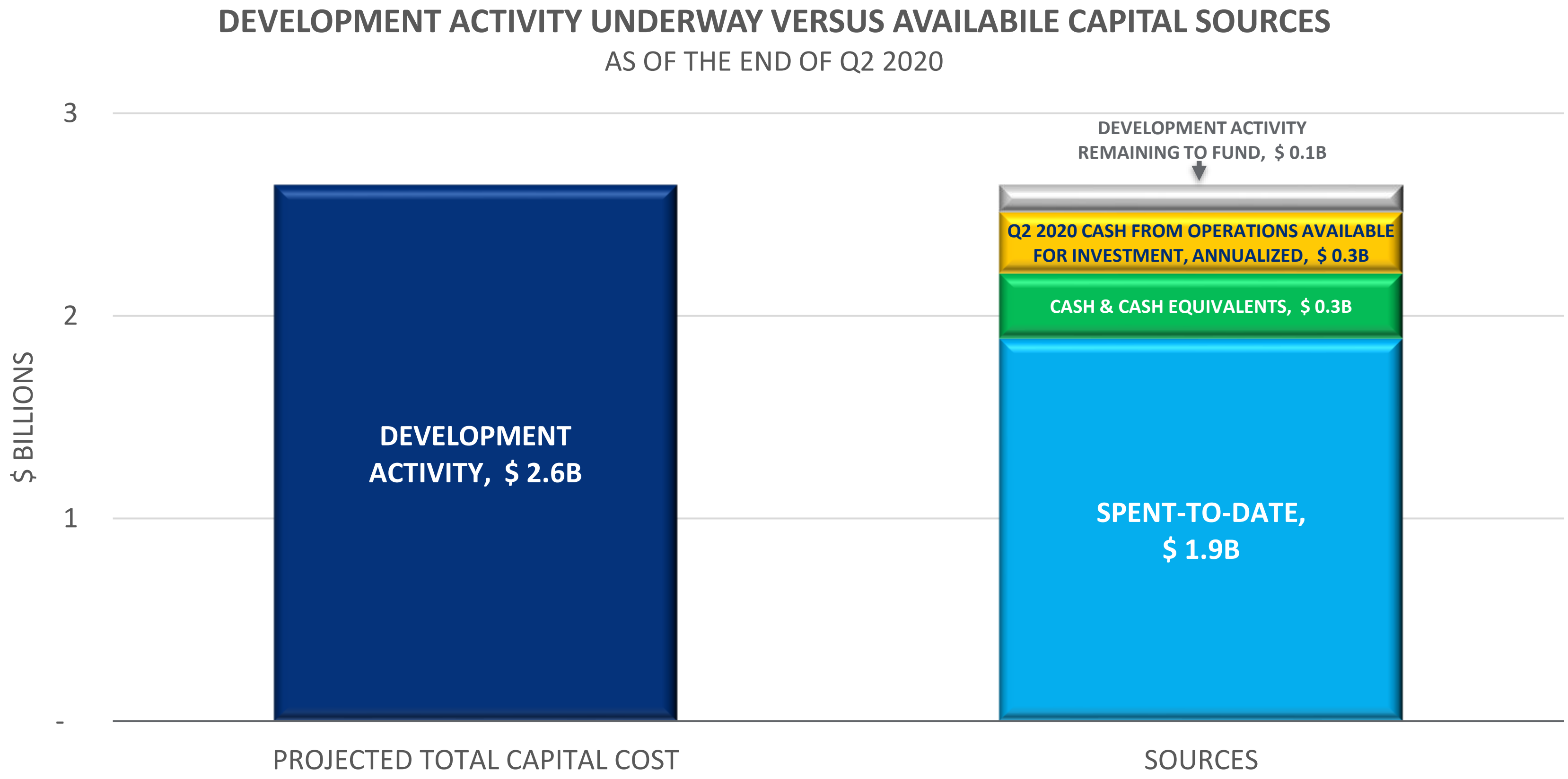


CONSTRUCTION COSTS



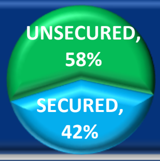
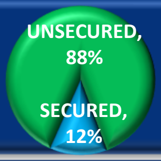
Source: Company reports, AVB Market Research Group, Turner Construction Company.
(1) At share.
(2) As published on February 5th, 2020.

CURRENT DEVELOPMENT ACTIVITY IS ≈ 95% MATCH-FUNDED



Source: Company reports.

BALANCE SHEET WELL-POSITIONED AND MUCH STRONGER THAN PRIOR DOWNTURN

	Q4 2008	Q2 2020
NET DEBT-TO-CORE EBITDAre	**6.5x**	**4.9x**
INTEREST COVERAGE	**4.5x**	**6.9x**
UNENCUMBERED NOI	**77%**	**94%**
COMPOSITION OF DEBT		
CREDIT RATINGS		
S&P RATING	**BBB+, Stable Outlook**	**A-, Stable Outlook**
MOODY'S RATING	**Baa1, Stable Outlook**	**A3, Stable Outlook**

Source: Company reports.

Key takeaways

- Pandemic providing unique, accelerated recessionary trends
- Q2 same-store revenue impacted by lower occupancy and higher uncollectible lease revenue
- Delivery delays and lower absorption reducing lease-up NOI from new development
- 2020 development starts postponed; construction costs beginning to correct
- Balance sheet well-positioned and much stronger than prior downturn

FORWARD-LOOKING STATEMENTS

- This presentation dated July 29, 2020 is provided in connection with AvalonBay's second quarter 2020 earnings conference call on July 30, 2020. This presentation is intended to accompany AvalonBay's earnings release dated July 29, 2020 and should be read in conjunction with the earnings release. AvalonBay does not intend to update any of these documents, which speak only as of their respective dates.

- The earnings release is available on AvalonBay's website at www.avalonbay.com/earnings

- For definitions, additional information and reconciliations of non-GAAP financial information and certain defined terms included in this presentation, see pages 17 to 21 in this presentation in addition to Attachment 13 to the earnings release.

- This presentation dated July 29, 2020 contains forward-looking statements, which are indicated by the use of words such as "expects," "projects," "forecast," "outlook," "estimate" and other words that do not relate to historical matters. Actual results may differ materially. For information concerning risks and other factors that could cause such differences, see "Forward Looking Statements" in AvalonBay's earnings release that accompanies this presentation. The Company does not undertake a duty to update the projections and expectations stated in this presentation, which speak only as of the date of this presentation unless otherwise referenced.

AvalonBay COMMUNITIES

DEFINITIONS AND RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

Asset Preservation Capex represents capital expenditures that the Company does not expect will directly result in increased revenue or expense savings.

Development Communities are communities that are either currently under construction, or were under construction and were completed during the current year. These communities may be partially or fully complete and operating.

EBITDA, EBITDAre and Core EBITDAre are considered by management to be supplemental measures of our financial performance. EBITDA is defined by the Company as net income or loss attributable to the Company before interest income and expense, income taxes, depreciation and amortization. EBITDAre is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), as EBITDA plus or minus losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property, with adjustments to reflect the Company's share of EBITDAre of unconsolidated entities. Core EBITDAre is the Company's EBITDAre as adjusted for noncore items outlined in the table below. By further adjusting for items that are not considered part of the Company's core business operations, Core EBITDAre can help one compare the core operating and financial performance of the Company between periods. A reconciliation of EBITDA, EBITDAre and Core EBITDAre to net income is presented to the right (dollars in thousands):

	Q2 2020	Q4 2008
Net income	$ 170,869	$ 2,123
Interest expense, net, inclusive of loss on extinguishment of debt, net	53,667	29,256
Interest expense (discontinued operations)	-	178
Income tax benefit	(1,133)	-
Depreciation expense	176,249	50,955
EBITDA	$ 399,652	$ 82,512
Gain on sale of communities	(35,295)	(27,051)
Joint venture EBITDAre adjustments	3,424	2,334
NOI from real estate assets sold or held for sale	-	-
EBITDAre	$ 367,781	$ 57,795
Gain on other real estate transactions	(156)	-
Casualty and impairment loss	-	57,899
Lost NOI from casualty losses covered by business interruption insurance	48	-
Business interruption insurance proceeds	(103)	-
Advocacy contributions	1,465	-
Severance related costs	89	3,400
Development pursuit write-offs and expensed transaction costs, net	269	4,972
Gain on for-sale condominiums	(2,544)	-
For-sale condominium marketing and administrative costs	1,196	-
Legal settlements	(67)	-
Federal excise tax	-	3,200
Fund II organizational costs	-	1,209
Preferred stock deferred offering expenses	-	3,566
Core EBITDAre	$ 367,978	$ 132,041

AvalonBay COMMUNITIES

Additional definitions and reconciliations of non-GAAP financial measures and other terms

FFO and Core FFO are considered by management to be supplemental measures of our operating and financial performance. FFO is calculated by the Company in accordance with the definition adopted by NAREIT. FFO is calculated by the Company as Net income or loss attributable to common stockholders computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, cumulative effect of a change in accounting principle, impairment write-downs of depreciable real estate assets, write-downs of investments in affiliates which are driven by a decrease in the value of depreciable real estate assets held by the affiliate and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. By excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating and financial performance of a company's real estate between periods or as compared to different companies. Core FFO is the Company's FFO as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of our core business operations, Core FFO can help one compare the core operating and financial performance of the Company between periods. A reconciliation of Net income attributable to common stockholders to FFO and to Core FFO is presented to the right (dollars in thousands):

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Net income attributable to common stockholders	$ 170,828	$ 168,281	$ 338,799	$ 338,647
Depreciation - real estate assets, including joint venture adjustments	175,558	164,830	352,986	329,576
Distributions to noncontrolling interests	12	12	24	23
Gain on sale of previously depreciated real estate	(35,295)	(20,530)	(59,731)	(35,365)
FFO attributable to common stockholders	311,103	312,593	632,078	632,881
Adjusting items:				
Business interruption insurance proceeds	(103)	(435)	(103)	(607)
Lost NOI from casualty losses covered by business interruption insurance	48	-	48	-
Loss on extinguishment of consolidated debt	268	229	9,438	509
Advocacy contributions	1,465	-	1,766	-
Severance related costs	89	1,353	2,040	1,372
Development pursuit write-offs and expensed transaction costs, net	269	1,327	3,389	1,604
Gain on for-sale condominiums	(2,544)	-	(7,447)	-
For-sale condominium marketing and administrative costs	1,196	945	2,639	1,418
For-sale condominium imputed carry cost	2,824	506	6,433	506
Gain on other real estate transactions	(156)	(34)	(199)	(301)
Legal settlements	(67)	38	(24)	(978)
Income tax benefit	(1,133)	-	(1,042)	(6)
Core FFO attributable to common stockholders	$ 313,259	$ 316,522	$ 649,016	$ 636,398
Average shares outstanding - diluted	140,738,160	139,618,231	140,752,331	139,227,376
Earnings per share - diluted	$ 1.21	$ 1.21	$ 2.41	$ 2.43
FFO per common share - diluted	$ 2.21	$ 2.24	$ 4.49	$ 4.55
Core FFO per common share - diluted	$ 2.23	$ 2.27	$ 4.61	$ 4.57

AvalonBay COMMUNITIES

ADDITIONAL DEFINITIONS AND RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

Interest Coverage is calculated by the Company as Core EBITDAre, divided by the sum of interest expense, net, and preferred dividends, if applicable. Interest Coverage is presented by the Company because it provides rating agencies and investors an additional means of comparing our ability to service debt obligations to that of other companies. A calculation of Interest Coverage for the three months ended June 30, 2020 is as follows (dollars in thousands):

	Q2 2020	Q4 2008
Core EBITDAre	$ 367,978	$ 132,041
Interest expense, net	53,399	29,434
Interest Coverage	6.9 times	4.5 times

Like-Term Lease Rent Change represents the percentage change in rent between two leases of the same lease term category for the same apartment. The Company defines rent as the contractual rent for an apartment. Average Like-Term Lease Rent Change is weighted based on the number of leases meeting the criteria for new move-in and renewal like-term rent change. New move-in like-term lease rent change is the change in rent between the contractual rent for a resident who moves out of an apartment, and the contractual rent for a resident who moves into the same apartment with the same lease term category. Renewal like-term lease rent change is the change in rent between two consecutive leases of the same lease term category for the same resident occupying the same apartment.

Like-Term Effective Rent Change represents the percentage change in effective rent between two leases of the same lease term category for the same apartment. The Company defines effective rent as the contractual rent for an apartment less amortized concessions and discounts. Average Like-Term Effective Rent Change is weighted based on the number of leases meeting the criteria for new move-in and renewal like-term effective rent change. New move-in like-term effective rent change is the change in effective rent between the contractual rent for a resident who moves out of an apartment, and the contractual rent for a resident who moves into the same apartment with the same lease term category. Renewal like-term effective rent change is the change in effective rent between two consecutive leases of the same lease term category for the same resident occupying the same apartment.

Net Debt-to-Core EBITDAre is calculated by the Company as total debt (secured and unsecured notes and the Company's variable rate unsecured credit facility) that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized second quarter 2020 Core EBITDAre, as adjusted. A calculation of Net Debt-to-Core EBITDAre is as follows (dollars in thousands):

	Q2 2020	Q4 2008
Total debt principal	$ 7,699,520	$ 3,676,493
Cash and cash in escrow	(415,694)	(259,305)
Net debt	$ 7,283,826	$ 3,417,188
Core EBITDAre	$ 367,978	$ 132,041
Core EBITDAre, annualized	$ 1,471,912	$ 528,164
Net Debt-to-Core EBITDAre	4.9 times	6.5 times

AvalonBay COMMUNITIES

ADDITIONAL DEFINITIONS AND RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, net, loss (gain) on extinguishment of debt, net, general and administrative expense, joint venture (income) loss, depreciation expense, corporate income tax expense (benefit), casualty and impairment loss (gain), net, gain on sale of communities, (gain) loss on other real estate transactions, for-sale condominium marketing and administrative costs and net operating income from real estate assets sold or held for sale. The Company considers NOI to be an important and appropriate supplemental performance measure to Net Income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level property management overhead or financing-related costs. NOI reflects the operating performance of a community, and allows for an easier comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impact to overhead as a result of acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets. A reconciliation of NOI to Net Income is presented to the right (dollars in thousands):

	YTD 2020	FULL YEAR 2008
Net income	$ 338,875	$ 411,487
Indirect operating expenses, net of corporate income	46,206	33,045
Investments and investment management expense	-	17,298
Expensed transaction, development and other pursuit costs, net of recoveries	3,722	-
Interest expense, net	109,313	114,878
Loss on extinguishment of debt, net	9,438	-
General and administrative expense	32,893	42,781
Joint venture (income) loss and minority interest	(1,687)	(5,307)
Depreciation expense	354,160	194,150
Income tax (benefit) expense	(1,042)	-
Casualty and impairment loss, net	-	57,899
Gain on sale of communities	(59,731)	(284,901)
Gain on other real estate transactions	(199)	-
Gain on for-sale condominiums, net of marketing and administrative costs	(4,808)	-
Income from discontinued operations	-	(12,208)
NOI	$ 827,140	$ 569,122

ADDITIONAL DEFINITIONS AND RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

Same-Store or (Established) Communities are consolidated communities in the markets where the Company has a significant presence, including the Company's Expansion Markets of Southeast Florida and Denver, Colorado, and where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had Stabilized Operations, as defined below, as of the beginning of the respective prior year period. Therefore, for 2020 operating results, Established Communities are consolidated communities that have Stabilized Operations as of January 1, 2019, are not conducting or are not probable to conduct substantial redevelopment activities and are not held for sale or probable for disposition within the current year.

Q2 2020 cash from operations available for investment, annualized is the Company's second quarter 2020 Core FFO, less (i) second quarter 2020 dividends declared – common and (ii) second quarter 2020 Asset Preservation Capex, annualized. Q2 2020 cash from operations available for investment, annualized does not represent the Company's Net cash provided by operating activities as presented in the Company's consolidated financial statements. A reconciliation of Q2 2020 cash from operations available for investment, annualized to Core FFO is as follows (dollars in thousands):

		Q2 2020
Core FFO attributable to common stockholders	$	313,259
Dividends declared - common		(224,169)
Established and Other Stabilized Asset Preservation Capex		(13,546)
Q2 2020 cash from operations available for investment	$	75,544
Q2 2020 cash from operations available for investment, annualized	$	302,176

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by outstanding secured notes payable as of June 30, 2020 as a percentage of total NOI generated by real estate assets. The Company believes that current and prospective unsecured creditors of the Company view Unencumbered NOI as one indication of the borrowing capacity of the Company. Therefore, when reviewed together with the Company's Interest Coverage, EBITDA and cash flow from operations, the Company believes that investors and creditors view Unencumbered NOI as a useful supplemental measure for determining the financial flexibility of an entity. A calculation of Unencumbered NOI is as follows (dollars in thousands):

		YTD 2020		FULL YEAR 2008
NOI on encumbered assets	$	53,756	$	133,098
NOI on unencumbered assets		773,384		436,024
Unencumbered NOI		94%		77%

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