



Avalon Woburn  
Woburn, MA



Kanso Twinbrook  
Rockville, MD



AVA Hollywood at La Pietra Place  
Los Angeles, CA

**AvalonBay**  
COMMUNITIES

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# INVESTOR TELECONFERENCE PRESENTATION

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**Second Quarter 2023**  
July 31, 2023

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

For the reasons described in the referenced forward-looking statements, our historical results may not be indicative of future results.

# PARTICIPANTS

BEN SCHALL

CHIEF EXECUTIVE OFFICER & PRESIDENT

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 AND ACTIVITY

SECOND QUARTER AND YEAR-TO-DATE 2023 RESULTS AND ACTIVITY	Q2	YTD
CORE FFO PER SHARE YEAR-OVER-YEAR GROWTH	9.5%	11.5%
SAME STORE RESIDENTIAL RENTAL REVENUE GROWTH YEAR-OVER-YEAR	6.3%	7.8%
SEQUENTIAL	2.0%	N/A
DEVELOPMENT COMPLETIONS   WTD. AVG. INITIAL PROJECTED STABILIZED YIELD	\$ 185M   5.9%	\$ 185M   5.9%
DEVELOPMENT STARTS	\$ 110M	\$ 210M
CAPITAL RAISED   WTD. AVG. INITIAL COST OF CAPITAL <sup>(1)</sup>	\$ 740M   4.2%	\$ 745M   4.2%

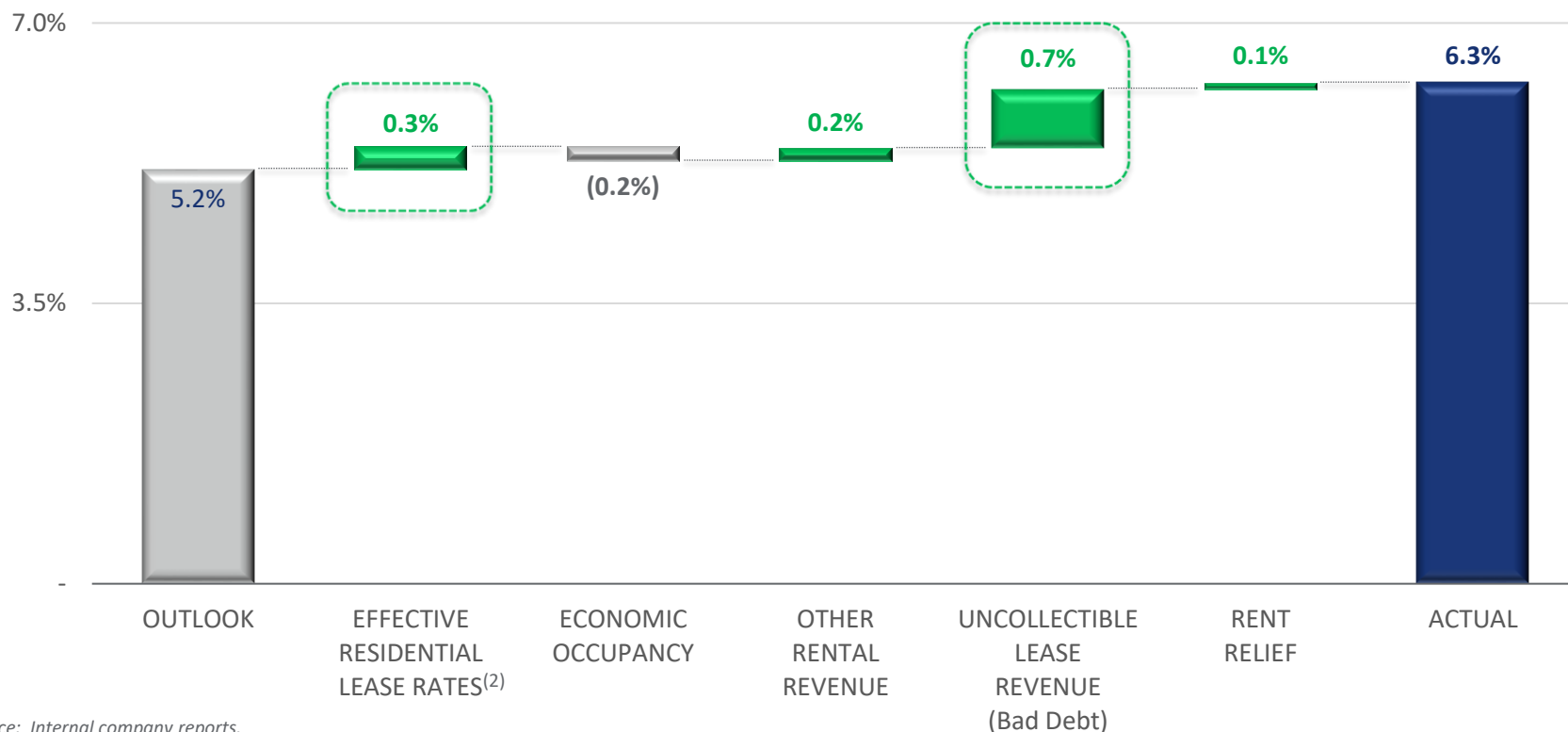
Source: Internal company reports.

See Appendix for a reconciliation of Net Income attributable to common stockholders to FFO and to Core FFO.

(1) Capital raised includes net proceeds from all equity issuances, wholly-owned dispositions and distributions from unconsolidated real estate entities. Weighted average initial cost of capital includes all equity issuances and wholly-owned dispositions only.

# SECOND QUARTER SAME STORE REVENUE GROWTH OUTPERFORMANCE PRIMARILY DRIVEN BY HIGHER LEASE RATES AND LOWER BAD DEBT

SECOND QUARTER 2023 SAME STORE YEAR-OVER-YEAR  
COMPONENTS OF RESIDENTIAL RENTAL REVENUE GROWTH OUTPERFORMANCE  
VERSUS OUTLOOK<sup>(1)</sup>



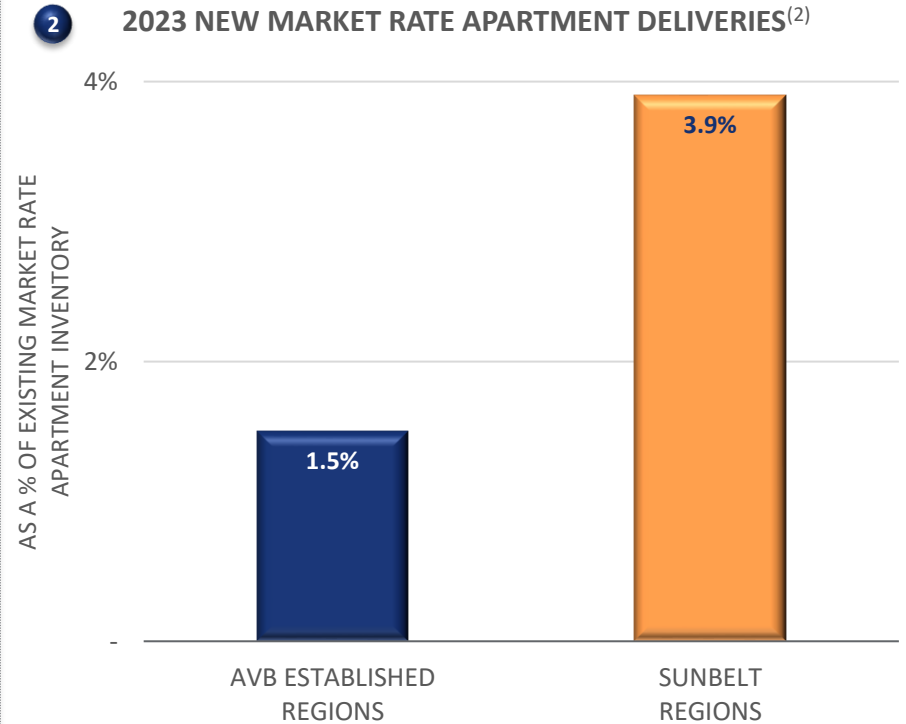
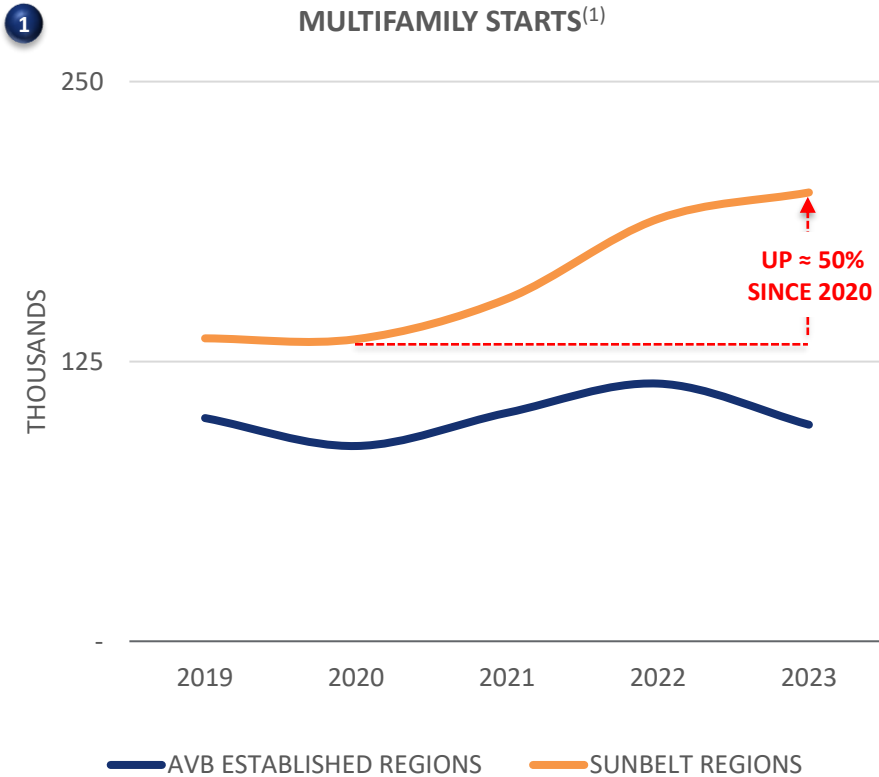
Source: Internal company reports.

(1) Outlook represents what the Company's expectation was for Same Store Residential rental revenue growth for the second quarter of 2023 when the Company published its updated projected EPS (diluted), Projected FFO per share (diluted), and Projected Core FFO per share (diluted) for the full year 2023 on April 26, 2023.

(2) Includes Residential lease rates and concessions and other discounts.

# AVB ESTABLISHED REGIONS PROJECTED TO BE MORE INSULATED FROM NEW APARTMENT SUPPLY

## AVB ESTABLISHED REGIONS AND SUNBELT REGIONS NEW APARTMENT SUPPLY OUTLOOK



Source: U.S. Census Bureau, AVB Market Research Group, CoStar.

(1) Includes data through June 2023.

(2) Existing market rate apartment inventory measured in December 2022.

# UPDATED FULL YEAR 2023 OUTLOOK

FULL YEAR 2023 INITIAL AND REVISED OUTLOOK SUMMARY <sup>(1)</sup>	INITIAL OUTLOOK <sup>(2)</sup>	REVISED OUTLOOK
PROJECTED CORE FFO PER SHARE GROWTH	5.3%	7.9%
<u>SAME STORE COMMUNITIES</u> (RESIDENTIAL ONLY)  RENTAL REVENUE GROWTH  OPERATING EXPENSE GROWTH  NET OPERATING INCOME GROWTH	5.0%  6.5%  4.25%	6.0%  6.5%  6.0%

Source: Internal company reports.

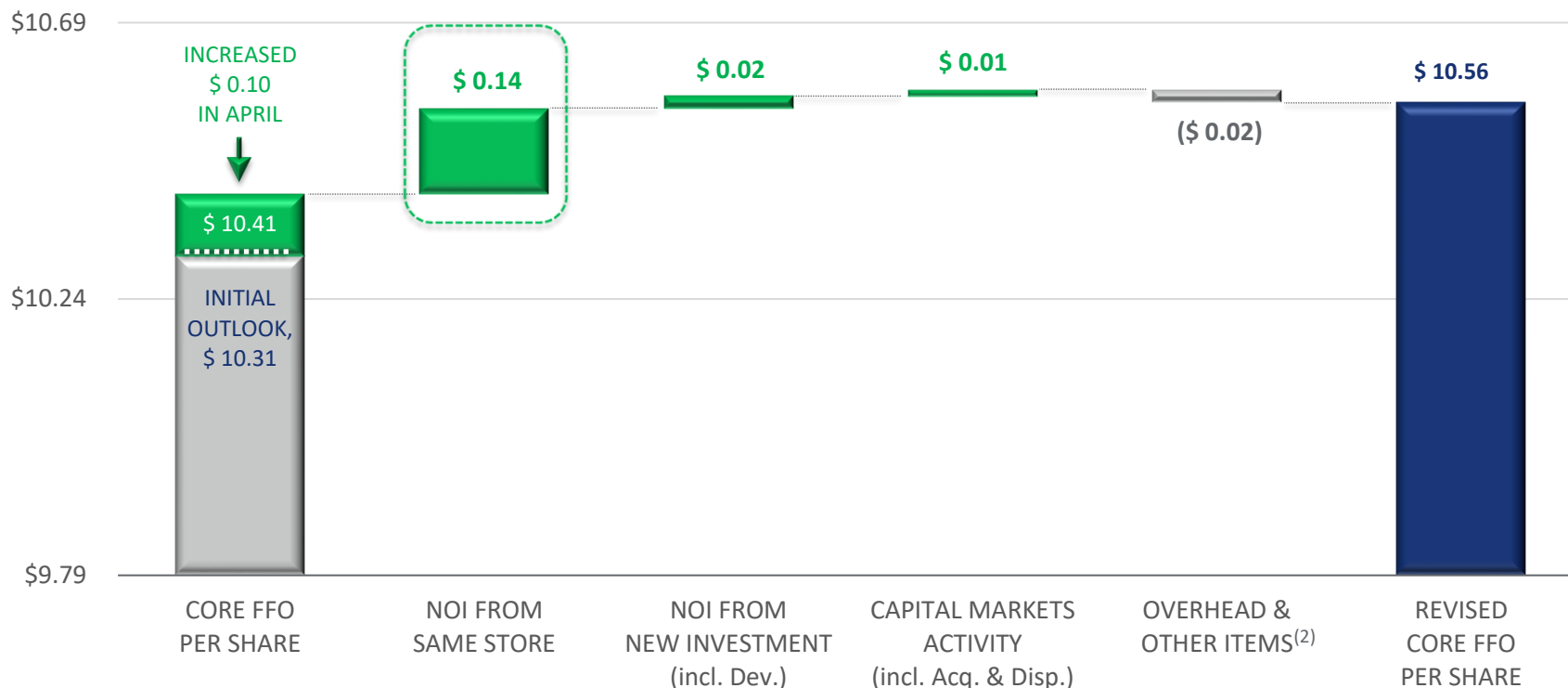
See Appendix for a reconciliation of Projected Net Income attributable to common stockholders to Projected FFO and to Projected Core FFO.

(1) All amounts based on the midpoints of the projected outlook ranges.

(2) Initial outlook provided on February 8, 2023.

# BETTER-THAN-EXPECTED NOI FROM THE STABILIZED PORTFOLIO DRIVING UPWARD REVISION TO CORE FFO PER SHARE MIDPOINT

COMPONENTS OF INCREASE TO 2023 FULL YEAR  
PROJECTED CORE FFO PER SHARE  
BASED ON THE MIDPOINT OF THE OUTLOOK RANGE<sup>(1)</sup>



Source: Internal company reports.

See Appendix for a reconciliation of Projected Net Income attributable to common stockholders to Projected FFO and to Projected Core FFO.

(1) Initial outlook provided on February 8, 2023; update to initial outlook provided on April 26, 2023.

(2) Includes unconsolidated investment income and management fees.

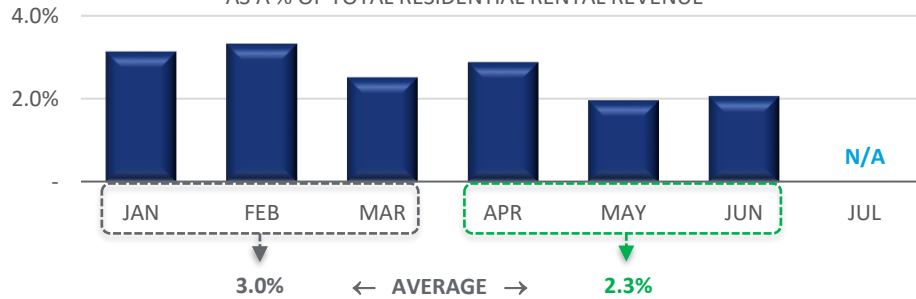


# BAD DEBT IMPROVED DUE TO NONPAYING RESIDENTS MOVING OUT, WHICH IMPACTED TURNOVER AND OCCUPANCY, BUT BODES WELL FOR FUTURE GROWTH

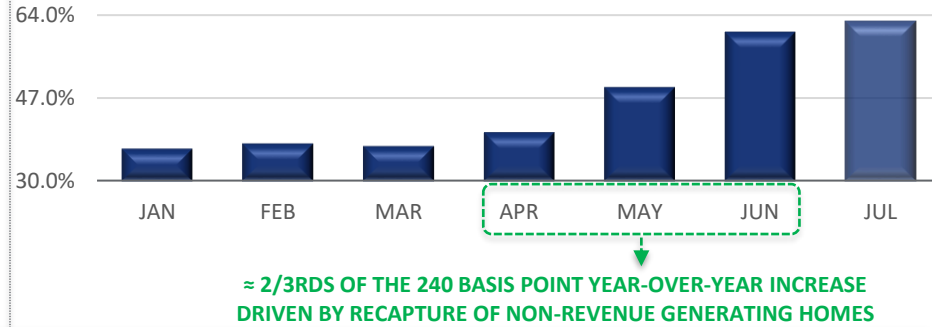
## 2023 SAME STORE<sup>(1)</sup>

### 1 RECAPTURE OF NON-REVENUE GENERATING HOMES DROVE BAD DEBT LOWER...

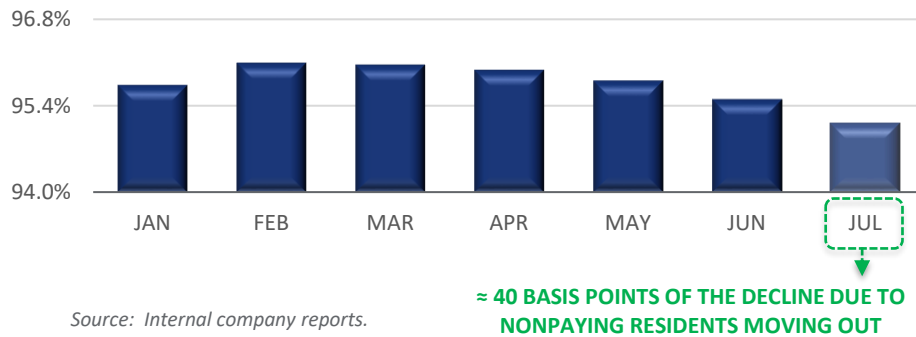
UNCOLLECTIBLE LEASE REVENUE  
AS A % OF TOTAL RESIDENTIAL RENTAL REVENUE<sup>(2)</sup>



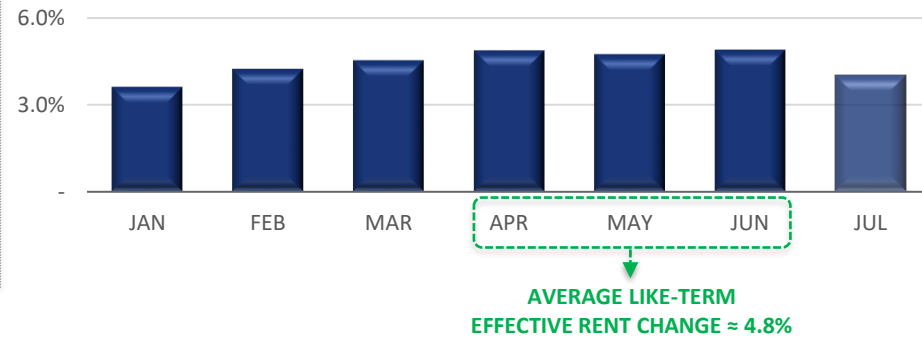
### 2 ...AND LED TO AN INCREASE IN TURNOVER... ANNUALIZED TURNOVER



### 3 ...AND A MODEST DECLINE IN OCCUPANCY... PHYSICAL OCCUPANCY



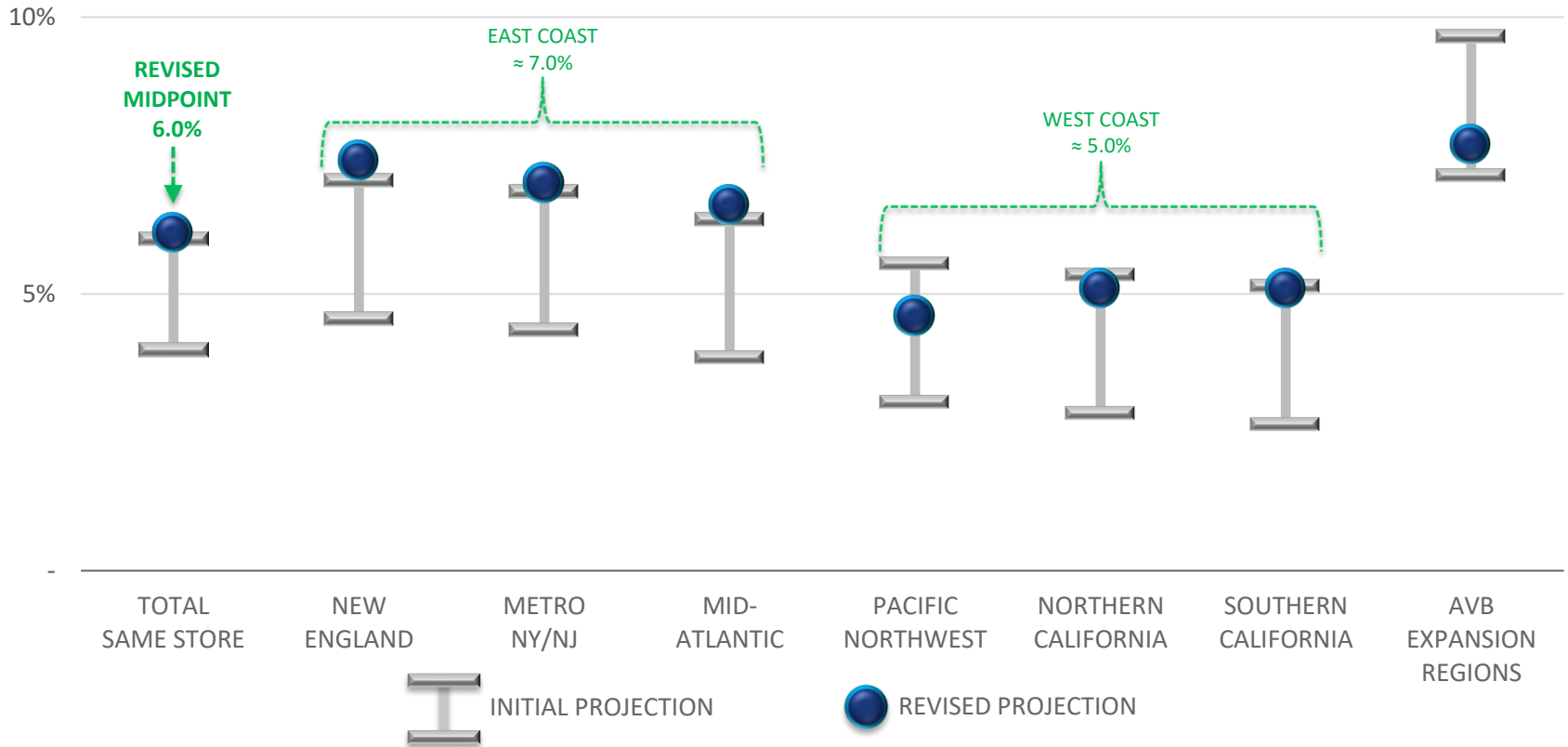
### 4 ...BUT RENT CHANGE REMAINED IN THE HIGH-4% RANGE IN THE SECOND QUARTER LIKE-TERM EFFECTIVE RENT CHANGE



Source: Internal company reports.  
(1) Data for July as of July 26, 2023.  
(2) Excluding rent relief.

# SAME STORE REVENUE GROWTH OUTLOOK INCREASED IN ALL AVB ESTABLISHED REGIONS; EAST COAST EXPECTED TO OUTPERFORM WEST COAST BY 200 BPS

INITIAL AND REVISED PROJECTED 2023 FULL YEAR  
SAME STORE RESIDENTIAL RENTAL REVENUE GROWTH<sup>(1)</sup>  
BY REGION



Source: Internal company reports.

(1) Initial outlook provided on February 8, 2023.

# INNOVATION PLANS EXCEEDING INITIAL PROJECTIONS; EXPECTED TO DELIVER NEARLY \$ 16 MILLION OF INCREMENTAL NOI IN 2023

## AVALON CONNECT<sup>(1)</sup>

RELIABLE, HIGH-SPEED INTERNET SERVICES, AND SMART HOME ACCESS AND SMART HOME DEVICES THAT ARE PRODUCING MEANINGFUL ECONOMIC RETURNS



INCREMENTAL NOI FROM INITIATIVE			
		<u>1H 2023</u>	<u>FULL YEAR 2023</u>
ACTUAL   REVISED PROJECTION		\$ 3.6M	\$ 7.9M
	INITIAL PROJECTION	\$ 3.0M	\$ 5.0M

## FURNISHED APARTMENTS

ON-DEMAND FURNISHED APARTMENT HOMES THAT ATTRACT CUSTOMERS LOOKING FOR CONVENIENCE, WHICH ARE DELIVERING INCREMENTAL NOI



INCREMENTAL NOI FROM INITIATIVE			
		<u>1H 2023</u>	<u>FULL YEAR 2023</u>
ACTUAL   REVISED PROJECTION		\$ 0.8M	\$ 1.6M
	INITIAL PROJECTION	\$ 0.9M	\$ 1.0M

## LABOR EFFICIENCIES

DIGITAL, SELF-SERVICE EXPERIENCES THAT ARE OPTIMIZING OPERATING EFFICIENCIES, AND REDUCING EXPENSES



INCREMENTAL NOI FROM INITIATIVE			
		<u>1H 2023</u>	<u>FULL YEAR 2023</u>
ACTUAL   REVISED PROJECTION		\$ 3.4M	\$ 6.3M
	INITIAL PROJECTION	\$ 1.4M	\$ 5.0M

TOTAL		
	<u>1H 2023</u>	<u>FULL YEAR 2023</u>
ACTUAL   REVISED PROJECTION	\$ 7.8M	\$ 15.8M
INITIAL PROJECTION	\$ 5.3M	\$ 11.0M

Source: Internal company reports.

Incremental NOI represents NOI that the Company projects to recognize in 2023 that was not present in 2022.

Initial projections provided on February 8, 2023.

(1) Excludes ≈ \$4 million in projected lost Residential rental revenue in 2023 associated with the termination of legacy telecom contracts.

# LEASE-UPS CONTINUE TO MATERIALLY OUTPERFORM INITIAL EXPECTATIONS

CURRENT LEASE-UP ACTIVITY <sup>(1)</sup> 5 COMMUNITIES   ≈ \$ 490M IN PROJECTED TOTAL CAPITAL COST	CURRENT PROJECTION	INITIAL PROJECTION	VARIANCE
WTD. AVG. MONTHLY RENTAL REVENUE PER HOME	\$ 3,365	\$ 2,845	\$ 520   18.3%
WTD. AVG. INITIAL PROJECTED STABILIZED YIELD	6.6%	5.9%	70 BPS



AVALON BRIGHTON  
BOSTON, MA



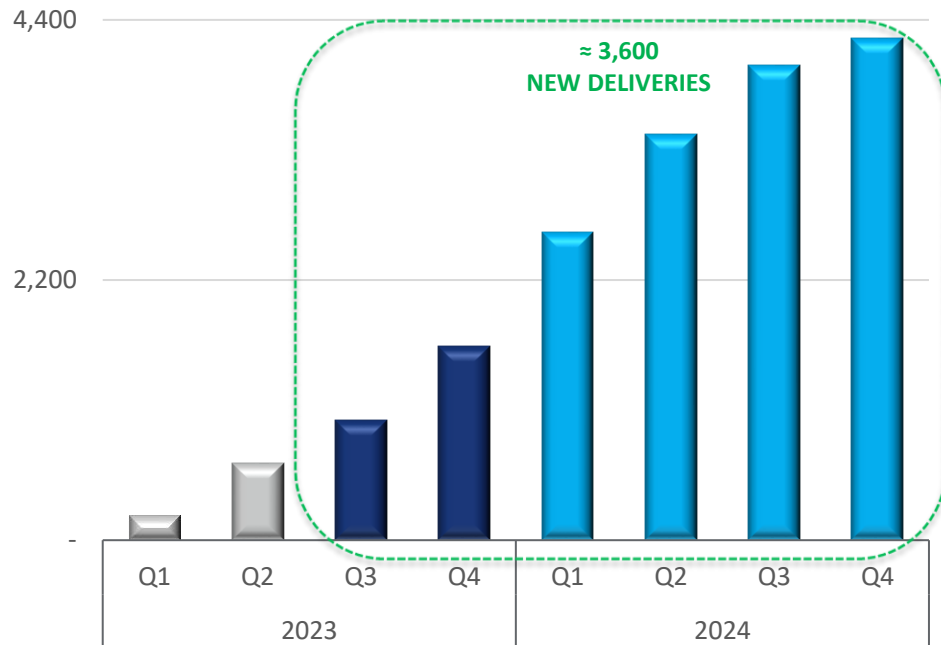
AVALON SOMERVILLE STATION  
SOMERVILLE, NJ

Source: Internal company reports.

(1) Includes Avalon Harrison, Avalon Brighton, Avalon Somerville Station, Avalon North Andover, and Avalon Merrick Park.

# INCREASING DEVELOPMENT DELIVERIES EXPECTED TO DRIVE FURTHER EARNINGS GROWTH OVER THE NEXT FEW YEARS

CUMULATIVE NEW DEVELOPMENT DELIVERIES<sup>(1)</sup>  
ACTUAL | PROJECTED 2023 & 2024 APARTMENT DELIVERIES



AVALON MONTVILLE  
MONTVILLE, NJ



AVALON WESTMINSTER PROMENADE  
WESTMINSTER, CO

Source: Internal company reports.

(1) Includes wholly-owned Development communities only.

# MODEST DISPOSITION ACTIVITY AT ATTRACTIVE PRICING

## DISPOSITION ACTIVITY<sup>(1)</sup>

- SOLD THREE WHOLLY-OWNED COMMUNITIES CONTAINING 758 APARTMENT HOMES AND ≈ 35,000 SQ. FT. OF COMMERCIAL SPACE
- ACTIVITY REFLECTS DIVERSITY OF MARKET CONDITIONS AND BUYER PROFILES BASED ON LOCATION AND ASSET SPECIFIC CHARACTERISTICS



**AVALON AT NEWTON HIGHLANDS**  
NEWTON, MA

- SUBURBAN ASSET IN SUPPLY CONSTRAINED, HIGHLY DESIRED SUBMARKET
- DEEP BUYER POOL, AGGRESSIVE PRICING NOTWITHSTANDING RELATIVELY LARGE TRANSACTION SIZE

**AGGREGATE SALES PRICE**  
≈ \$ 340M



**EAVES DALY CITY**  
DALY CITY, CA

- OLDER GARDEN-STYLE ASSET
- SOLD TO A NON-PROFIT FOR CONVERSION TO AFFORDABLE HOUSING UTILIZING LOCAL PROPERTY TAX EXEMPTION PROGRAM

**WTD. AVG. INITIAL MARKET CAP RATE**  
≈ 4.7%



**AVALON COLUMBIA PIKE**  
ARLINGTON, VA

- MIXED-USE ASSET WITH SIGNIFICANT COMMERCIAL COMPONENT
- LOCATED CLOSE TO AMAZON HQ2
- BUYER INTEREST WAS MORE LIMITED





**WTD. AVG. COMMUNITY AGE**  
≈ 26 YEARS

Source: Internal company reports.

(1) The sale of Avalon Columbia Pike was completed in July.



# 12<sup>TH</sup> ANNUAL ESG REPORT HIGHLIGHTS OUR PROGRESS TOWARD CREATING A BETTER WAY TO LIVE

SCIENCE-BASED TARGETS				SOLAR SITES	
REDUCTION IN SCOPE 1 & 2 GHG EMISSIONS PER SQUARE FOOT BY 2030	REDUCTION SINCE 2017 BASELINE YEAR	REDUCTION IN SCOPE 3 GHG EMISSIONS PER SQUARE FOOT BY 2030	REDUCTION SINCE 2017 BASELINE YEAR	ACTIVATED IN 2022	AS OF YEAR-END 2022
53% GOAL	44%	47% GOAL	14%	13 DELIVERING ≈ 2.3 MW	51 DELIVERING ≈ 7.0 MW
INCLUSION AND DIVERSITY <sup>(1)</sup>				COMMUNITY INVESTMENT <sup>(2)</sup>	
WOMEN IN LEADERSHIP BY 2025	AS OF YEAR-END 2022	PEOPLE OF COLOR IN LEADERSHIP BY 2025	AS OF YEAR-END 2022	ANNUAL COMMUNITY INVESTMENT BY 2025	DURING 2022
41% VISION	38%	20% VISION	21%	\$ 2.75M GOAL	\$ 2.4M
AWARDS AND RECOGNITION					
 <b>G R E S B<sup>®</sup></b> REAL ESTATE <b>GLOBAL &amp; REGIONAL SECTOR LEADER</b> 2 <sup>ND</sup> TIME	 <b>Nareit</b> Leader in the Light 2022 ESG Award Winner <b>RESIDENTIAL WINNER</b> 4 <sup>TH</sup> YEAR IN A ROW	 <b>CDP</b> DISCLOSURE INSIGHT ACTION <b>A-</b> CLIMATE CHANGE SCORE	 <b>BEST</b> PLACES TO WORK 2022 for LGBTQ+ Equality 100% CORPORATE EQUALITY INDEX <b>PERFECT SCORE</b>		

Source: The Company's 2022 Environmental, Social and Governance Report.

(1) Leadership is defined as director-level associates and above.

(2) Includes cash and in-kind donations.

## KEY TAKEAWAYS

- Q2 AND YEAR-TO-DATE PERFORMANCE EXCEEDED OUR EXPECTATIONS
- SUPPLY OUTLOOK FOR AVB ESTABLISHED REGIONS PROJECTED TO BE FAVORABLE AS COMPARED TO SUNBELT REGIONS
- FULL YEAR PROJECTED CORE FFO PER SHARE MIDPOINT INCREASED;  
UPWARD REVISIONS TO SAME STORE RESIDENTIAL RENTAL REVENUE AND NOI GROWTH
  - INNOVATION EFFORTS EXCEEDING INITIAL EXPECTATIONS AND ARE PROJECTED TO DELIVER NEARLY \$ 16 MILLION OF INCREMENTAL NOI IN 2023
  - LEASE-UPS CONTINUE TO OUTPERFORM INITIAL PROJECTIONS;  
DEVELOPMENT DELIVERIES EXPECTED TO ACCELERATE IN LATE-2023 AND 2024
- CLOSED THREE DISPOSITIONS FOR AN AGGREGATE SALES PRICE OF ≈ \$ 340 MILLION AT A WTD. AVG. INITIAL MARKET CAP RATE OF ≈ 4.7%
- 12<sup>TH</sup> ANNUAL ESG REPORT HIGHLIGHTS CONTINUED LEADERSHIP

Source: Internal company reports.



# FORWARD-LOOKING STATEMENTS

- This presentation dated July 31, 2023 is provided in connection with AvalonBay's second quarter 2023 earnings conference call on August 1, 2023. This presentation is intended to accompany AvalonBay's earnings release dated August 1, 2023 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 <https://investors.avalonbay.com/earnings-release/default.aspx>
- For definitions, additional information and reconciliations of non-GAAP financial information and certain defined terms included in this presentation, see pages 18 to 25 in this presentation in addition to Attachment 13 to the earnings release.
- This presentation dated July 31, 2023 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. Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. These statements are not guarantees of future performance or events and the Company cautions you against relying on any of these forward-looking statements. For information concerning risks and other factors that could cause such differences, see "Forward-Looking Statements" in AvalonBay's second quarter 2023 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.

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

AVB Established Regions include markets located in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California.

AVB Expansion Regions include markets located in Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado.

Average Monthly Rental Revenue per Home, as calculated for certain Development communities in lease-up, reflects management's projected stabilized rents net of estimated stabilized concessions, including estimated stabilized other rental revenue and excluding projected commercial revenue. Projected stabilized rents are based on one or more of the following: (i) actual average leased rents on apartments leased through quarter end, (ii) projected rollover rents on apartments leased through quarter end where the lease term expires within the first twelve months of Stabilized Operations and (iii) Market Rents on unleased homes.

Commercial represents results attributable to the non-apartment components of the Company's mixed-use communities and other non-residential operations.

Development is composed of consolidated 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.

Economic Occupancy is defined as total possible Residential revenue less vacancy loss as a percentage of total possible Residential revenue. Total possible Residential revenue (also known as "gross potential") is determined by valuing occupied units at contract rates and vacant units at Market Rents. Vacancy loss is determined by valuing vacant units at current Market Rents. By measuring vacant apartments at their Market Rents, Economic Occupancy takes into account the fact that apartment homes of different sizes and locations within a community have different economic impacts on a community's gross revenue.

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

FFO and Core FFO are generally considered by management to be appropriate 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. FFO can help one compare the operating and financial performance of a real estate company between periods or as compared to different companies because adjustments such as (i) gains or losses on sales of previously depreciated property or (ii) real estate depreciation may impact comparability between companies as the amount and timing of these or similar items can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates. 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 by us to be part of our core business operations, Core FFO can help with the comparison of core operating performance of the Company between periods. A reconciliation of Net income attributable to common stockholders to FFO and to Core FFO is presented on the following page (dollars in thousands):

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

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Net income attributable to common stockholders	367,923	138,691	514,825	400,735
Depreciation - real estate assets, including joint venture adjustments	199,197	198,493	402,477	399,145
Distributions to noncontrolling interests	13	12	25	24
Gain on sale of previously depreciated real estate	(187,322)	(404)	(187,309)	(149,204)
Casualty loss on real estate	-	-	5,051	-
FFO attributable to common stockholders	379,811	336,792	735,069	650,700
Adjusting items:				
Unconsolidated entity gains, net (1)	(1,795)	(2,040)	(4,851)	(2,295)
Joint venture promote (2)	(1,072)	-	(1,072)	-
Structured Investment Program loan reserve (3)	(105)	1,608	(124)	1,608
Hedge accounting activity	(37)	297	191	(432)
Advocacy contributions	200	384	200	534
Executive transition compensation costs	297	407	644	809
Severance related costs	327	24	1,500	65
Expensed transaction, development and other pursuit costs, net of recoveries	797	1,839	3,248	1,998
Other real estate activity	(341)	28	(470)	(245)
For-sale condominium imputed carry cost (4)	169	716	424	1,635
Legal settlements	148	129	50	259
Income tax (benefit) expense (5)	(217)	(159)	3,343	2,312
Core FFO attributable to common stockholders	<u>\$ 378,182</u>	<u>\$ 340,025</u>	<u>\$ 738,152</u>	<u>\$ 656,948</u>
Average shares outstanding - diluted	142,124,117	139,934,478	141,073,964	139,955,280
Earnings per share - diluted	<u>\$ 2.59</u>	<u>\$ 0.99</u>	<u>\$ 3.65</u>	<u>\$ 2.86</u>
FFO per common share - diluted	<u>\$ 2.67</u>	<u>\$ 2.41</u>	<u>\$ 5.21</u>	<u>\$ 4.65</u>
Core FFO per common share - diluted	<u>\$ 2.66</u>	<u>\$ 2.43</u>	<u>\$ 5.23</u>	<u>\$ 4.69</u>

**\*\* FOOTNOTES PRESENTED ON THE FOLLOWING PAGE \*\***

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

- (1) Amounts consist primarily of net unrealized gains on technology investments.
- (2) Amount for 2023 is for the Company's recognition of its promoted interest in the U.S. Fund.
- (3) Amounts are the expected credit losses associated with the Company's lending commitments under its Structured Investment Program (the "SIP"). The timing and amount of any actual losses that will be incurred, if any, is to be determined.
- (4) Represents the imputed carry cost of the for-sale residential condominiums at The Park Loggia. The Company computes this adjustment by multiplying the Total Capital Cost of completed and unsold for-sale residential condominiums by the Company's weighted average unsecured debt effective interest rate.
- (5) Amounts are primarily for the recognition of taxes associated with The Park Loggia.

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. Like-term effective rent change as presented excludes any third-party managed communities.

Market Cap Rate is defined by the Company as Projected NOI of a single community for the first 12 months of operations (assuming no repositioning), less estimates for non-routine allowance of approximately \$300 - \$500 per apartment home, divided by the gross sales price for the community. Projected NOI, as referred to above, represents management's estimate of projected rental revenue minus projected operating expenses before interest, income taxes (if any), depreciation and amortization. For this purpose, management's projection of operating expenses for the community includes a management fee of 2.25%. The Market Cap Rate, which may be determined in a different manner by others, is a measure frequently used in the real estate industry when determining the appropriate purchase price for a property or estimating the value for a property. Buyers may assign different Market Cap Rates to different communities when determining the appropriate value because they (i) may project different rates of change in operating expenses and capital expenditure estimates and (ii) may project different rates of change in future rental revenue due to different estimates for changes in rent and occupancy levels. The weighted average Market Cap Rate is weighted based on the gross sales price of each community.

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

Market Rents as reported by the Company are based on the current market rates set by the Company based on its experience in renting apartments and publicly available market data. Market Rents for a period are based on the average Market Rents during that period and do not reflect any impact for cash concessions.

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 on extinguishment of debt, net, general and administrative expense, income from unconsolidated investments, depreciation expense, income tax (benefit) expense, casualty loss, gain on sale of communities, other real estate activity 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.

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

Projected FFO and Projected Core FFO, as provided within this presentation in the Company's outlook, are calculated on a basis consistent with historical FFO and Core FFO, and are therefore considered to be appropriate supplemental measures to projected Net Income from projected operating performance. A reconciliation of the ranges provided for Projected FFO per share (diluted) for the third quarter and full year 2023 to the ranges provided for projected EPS (diluted) and corresponding reconciliation of the ranges for Projected FFO per share to the ranges for Projected Core FFO per share are as follows:

	Low range	High range
Projected EPS (diluted) - Full Year 2023	\$ 6.84	\$ 7.04
Depreciation (real estate related)	5.71	5.71
Gain on sale of communities	(2.21)	(2.21)
Casualty loss	0.04	0.04
Projected FFO per share (diluted) - Full Year 2023	<u>10.38</u>	<u>10.58</u>
Joint venture promote and unconsolidated entity gains, net	(0.04)	(0.04)
Structured Investment Program loan reserve	0.01	0.01
Executive transition compensation costs	0.01	0.01
Severance related costs	0.01	0.01
Expensed transaction, development and other pursuit costs, net of recoveries	0.07	0.07
Income tax expense and other real estate activity	0.02	0.02
Projected Core FFO per share (diluted) - Full Year 2023	<u>\$ 10.46</u>	<u>\$ 10.66</u>

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

Projected NOI, as used within this presentation for certain Development communities and in calculating the Market Cap Rate for dispositions, represents management's estimate, as of the date of this presentation (or as of the date of the buyer's valuation in the case of dispositions), of projected stabilized rental revenue minus projected stabilized operating expenses. For Development communities, Projected NOI is calculated based on the first twelve months of Stabilized Operations following the completion of construction. In calculating the Market Cap Rate, Projected NOI for dispositions is calculated for the first twelve months following the date of the buyer's valuation. Projected stabilized rental revenue represents management's estimate of projected gross potential minus projected stabilized economic vacancy and adjusted for projected stabilized concessions plus projected stabilized other rental revenue. Projected stabilized operating expenses do not include interest, income taxes (if any), depreciation or amortization, or any allocation of corporate-level property management overhead or general and administrative costs. In addition, projected stabilized operating expenses for Development communities do not include property management fee expense. Projected gross potential for Development communities and dispositions is generally based on leased rents for occupied homes and management's best estimate of rental levels for homes which are currently unleased, as well as those homes which will become available for lease during the twelve-month forward period used to develop Projected NOI. The weighted average Projected NOI as a percentage of Total Capital Cost ("Weighted Average Initial Projected Stabilized Yield") is weighted based on the Company's share of the Total Capital Cost of each community, based on its percentage ownership.

Management believes that Projected NOI of the Development communities, on an aggregated weighted average basis, assists investors in understanding management's estimate of the likely impact on operations of the Development communities when the assets are complete and achieve stabilized occupancy (before allocation of any corporate-level property management overhead, general and administrative costs or interest expense). However, in this presentation the Company has not given a projection of NOI on a company-wide basis. Given the different dates and fiscal years for which NOI is projected for these communities, the projected allocation of corporate-level property management overhead, general and administrative costs and interest expense to communities under development is complex, impractical to develop, and may not be meaningful. Projected NOI of these communities is not a projection of the Company's overall financial performance or cash flow. There can be no assurance that the communities under development will achieve the Projected NOI as described in this presentation.

Redevelopment is composed of consolidated communities where substantial redevelopment is in progress or is probable to begin during the current year. Redevelopment is considered substantial when (i) capital invested during the reconstruction effort is expected to exceed the lesser of \$5,000,000 or 10% of the community's pre-redevelopment basis and (ii) physical occupancy is below or is expected to be below 90% during or as a result of the redevelopment activity. Redevelopment includes one community containing 714 apartment homes that is currently under active redevelopment as of June 30, 2023.



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

Residential represents results attributable to the Company's apartment rental operations, including parking and other ancillary Residential revenue.

Same Store is composed of consolidated communities 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 2023 operating results, Same Store is composed of consolidated communities that have Stabilized Operations as of January 1, 2022, 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.

Stabilized Operations is defined as the earlier of (i) attainment of 90% physical occupancy or (ii) the one-year anniversary of completion of development.

Sunbelt Regions include markets located in Alabama, Arizona, Florida, Georgia, Kentucky, Louisiana, Mississippi, New Mexico, Nevada, North Carolina, South Carolina, Tennessee, and Texas.

Total Capital Cost includes all capitalized costs projected to be or actually incurred to develop the respective Development or Redevelopment community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees and a contingency estimate, offset by proceeds from the sale of any associated land or improvements, all as determined in accordance with GAAP. Total Capital Cost also includes costs incurred related to first generation commercial tenants, such as tenant improvements and leasing commissions. For Redevelopment communities, Total Capital Cost excludes costs incurred prior to the start of redevelopment when indicated. With respect to communities where development or redevelopment was completed in a prior or the current period, Total Capital Cost reflects the actual cost incurred, plus any contingency estimate made by management. Total Capital Cost for communities identified as having joint venture ownership, either during construction or upon construction completion, represents the total projected joint venture contribution amount. For joint ventures not in construction, Total Capital Cost is equal to gross real estate cost.

