

March 25, 2020



AvalonBay Communities Provides Update on Actions Taken to Mitigate COVID-19 Impact

ARLINGTON, Va.--(BUSINESS WIRE)-- **AVALONBAY COMMUNITIES, INC. (NYSE: AVB)** (the "Company") today announced that it has taken various actions to mitigate the effect on its residents, associates and business from the national emergency that has arisen as a result of the coronavirus pandemic.

AvalonBay is committed to the health and safety of its associates and residents, and the Company began implementing many new protocols based on the Centers for Disease Control (CDC) and other government-mandated guidelines, including establishing social-distancing procedures and other safety and operating measures. At our communities, AvalonBay has made changes to its daily operations that include the following -

- Community office practices have been modified to minimize in-person contact, with resident support being provided through phone and e-mail communications where possible and by leveraging the Company's digital solutions and centralized Customer Care Center.
- Communities have implemented enhanced cleaning and disinfecting protocols and closed all amenities.
- Maintenance requests are being completed for essential or emergency services only and maintenance associates have been instructed on proper personal protective equipment (PPE) to use when performing work.
- Prospect tours are being completed on a self-guided basis or through virtual channels.

AvalonBay has also adopted certain measures to help mitigate the financial impact arising from the national emergency on its residents that include the following -

- Waiving late fees.
- Providing flexible lease renewal options at no rent increase for leases expiring through June 30, 2020.
- Creating payment plans for residents who are unable to pay their rent because they are impacted by this national emergency.

To support our associates during this difficult time, the Company has elected to adopt new, temporary leave policies and is providing all regular, full- and part-time associates with up to four weeks of emergency paid leave to use in the event they or their families have been materially impacted by the coronavirus.

In addition to these measures, AvalonBay announced the following –

Operating Update

- Total rental revenue for Established Communities for the two months ending February 29, 2020 increased 3.2% over the prior year period.
- Blended Like-Term Effective Rent Change for Established Communities for the two months ending February 29, 2020 was 1.6%, versus 2.6% during the same period last year.
- Through the week ending March 22, 2020, Blended Like-Term Effective Rent Change for Established Communities for March 2020 was 2.3%, versus 2.9% for the month of March 2019.
- Physical occupancy for Established Communities for the week ending March 22, 2020 was 96.1%, versus 95.8% during the same week in March 2019.
- 30- and 60-day Availability for Established Communities was 4.7% and 5.7%, respectively, for the week ending March 22, 2020 versus 5.1% and 6.2%, respectively, during the same week in 2019.

2020 Outlook

- Due to the inherent uncertainty surrounding the social and economic disruption from this national emergency, the Company believes it is appropriate to withdraw its full-year 2020 outlook, which was included in its February 5, 2020 earnings release, and it does not plan to provide an update to its full-year 2020 outlook until there is further clarity on economic conditions.

Recent Capital Activity and Current Liquidity

- The Company does not have a commercial paper program.
- The Company has drawn \$750 million from its \$1.75 billion credit facility during this period of elevated uncertainty. The Company's credit facility matures on February 28, 2024.
- Considering the Company's (i) existing cash balance of approximately \$755 million, which includes the aforementioned \$750 million draw from its credit facility, and (ii) remaining borrowing capacity under its \$1.75 billion credit facility, the Company has access to approximately \$1.8 billion of liquidity as of the date of this press release.

Investment Activity Update

- The Company has not started the construction of any new development communities in 2020, and it will evaluate future starts on an individual basis, based on evolving economic and market conditions. In addition, the Company has begun taking action to substantially reduce redevelopment and other non-essential capex investment.
- As of the end of 2019, the Company had 22 development communities under construction. As of the date of this release, (i) the construction of three of these

development communities is substantially complete, (ii) the construction at four of the Company's remaining 19 development communities has been suspended at the Company's discretion after considering state and local advisories, and (iii) the construction at the Company's remaining development communities has been substantially slowed due to the impact of safety precautions on labor availability and inspection constraints. The Company may be required to, or may in its discretion, suspend ongoing construction at one or more of these remaining development communities as a result of either (i) governmental actions or (ii) social or economic conditions arising from this national emergency.

- Based on the Company's projections as of the date of this press release, which assumes (i) estimated suspension periods for the Company's current development projects where construction has been halted and other expected delays, and (ii) reduced redevelopment and other non-essential capex investment, the Company currently expects to spend approximately \$400 million over the balance of 2020 and approximately \$400 million in 2021 on these investment activities. Due to ongoing developments and uncertainties related to the coronavirus, these projections are subject to change, and we do not undertake any obligation to update these projections, as stated later in this press release.

Other Items

The Company has approximately \$68 million of secured debt maturities and amortization remaining in 2020 and approximately \$328 million of unsecured and secured debt maturities and amortization in 2021.

As of December 31, 2019, the Company's Net Debt-to-Core EBITDA was 4.6x and Unencumbered NOI was 93%, and 248 of its 262 consolidated operating communities, not including development communities, were unencumbered with a mortgage, providing a substantial source of potential additional liquidity through mortgage financing.

Forward-Looking Statements

This release, including its Attachments, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which you can identify by the Company's use of words such as "expects," "plans," "estimates," "anticipates," "projects," "intends," "believes," "outlook" and similar expressions that do not relate to historical matters, are based on the Company's expectations, forecasts and assumptions at the time of this release, which may not be realized and involve risks and uncertainties that cannot be predicted accurately or that might not be anticipated. These could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Risks and uncertainties that might cause such differences include those related to the COVID-19 pandemic, about which there are still many unknowns, including the duration of the pandemic, the extent of the adverse health impact on the general population and on our residents and employees in particular, its impact on the employment rate and the economy, the extent of governmental responses (including actions such as those that have already occurred and that may vary by jurisdiction, such as mandated business closings; stay-at-home orders for all but essential activities; limits on group activity; and actions to protect residential tenants from eviction), and the impact of new practices we implement in response to the pandemic, such as changes to leasing practices

to enable social distancing, adjusted payment terms for residents affected by the pandemic, and extra paid emergency leave for employees affected by the pandemic. These uncertainties could affect many aspects of our business, including our occupancy rate, bad debt experience with residential and retail tenants, ability to complete construction projects on time and within budget, and the ability of counterparties, including vendors, subcontractors and lenders, to fulfill their obligations. Other risks and uncertainties include the following: we may abandon development or redevelopment opportunities for which we have already incurred costs; adverse capital and credit market conditions may affect our access to various sources of capital and/or cost of capital, which may affect our business activities, earnings and common stock price, among other things; changes in local employment conditions, demand for apartment homes, supply of competitive housing products, landlord-tenant laws and other economic or regulatory conditions may result in lower than expected occupancy and/or rental rates and adversely affect the profitability of our communities; delays in completing development, redevelopment and/or lease-up may result in increased financing and construction costs and may delay and/or reduce the profitability of a community; debt and/or equity financing for development, redevelopment or acquisitions of communities may not be available or may not be available on favorable terms; we may be unable to obtain, or experience delays in obtaining, necessary governmental permits and authorizations; expenses may result in communities that we develop or redevelop failing to achieve expected profitability; and our assumptions concerning risks relating to our lack of control of joint ventures and our abilities to successfully dispose of certain assets may not be realized. Additional discussions of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements appear in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 under the heading "Risk Factors" and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" and in subsequent quarterly reports on Form 10-Q.

The Company does not undertake a duty to update forward-looking statements and the format and extent of future disclosures may be different from the format and extent of the information contained in this release.

Definitions and Reconciliations

Availability is calculated as the number of apartment homes that are not leased during a specific time period divided by the total number of apartment homes (excluding model apartment homes and apartment homes that have been taken out of service).

Established Communities are 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 2020 operating results, Established Communities are consolidated communities that had 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. A community is considered to have Stabilized Operations at the earlier of (i) attainment of 90% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.

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. Blended 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.

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 as follows (dollars in thousands):

	Q419
Net income	167,671
Interest expense, net, inclusive of loss on extinguishment of debt, net	54,190
Income tax expense	1,825
Depreciation expense	171,364
EBITDA	<u>\$ 395,050</u>
Gain on sale of communities	(256)
Joint venture EBITDAre adjustments	<u>(2,079)</u>
EBITDAre	392,715
Gain on other real estate transactions	(65)
Lost NOI from casualty losses covered by business interruption insurance	265
Business interruption insurance proceeds	(527)
Advocacy contributions	50
Severance related costs	60
Development pursuit write-offs and expensed transaction costs, net	2,093

For-sale condominium marketing and administrative costs	1,286
Asset management fee intangible write-off and other joint venture losses	52
Legal settlements	(2,221)
Core EBITDAre	<u>\$ 393,708</u>

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 fourth quarter 2019 Core EBITDAre, as adjusted. A calculation of Net Debt-to-Core EBITDAre is as follows (dollars in thousands):

Total debt principal (1)	\$ 7,355,371
Cash and cash in escrow	(127,614)
Net debt	<u>\$ 7,227,757</u>
Core EBITDAre	<u>\$ 393,708</u>
Core EBITDAre, annualized	\$ 1,574,832
Net Debt-to-Core EBITDAre	<u>4.6 times</u>

(1) Balance at December 31, 2019 excludes \$8,610 of debt discount and \$32,742 of deferred financing costs as reflected in unsecured notes, net, and \$14,464 of debt discount and \$3,265 of deferred financing costs as reflected in notes payable on the Condensed Consolidated Balance Sheets.

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by outstanding secured notes payable as of December 31, 2019 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 for the year ended December 31, 2019 is as follows (dollars in thousands):

	Full Year 2019
Net income	\$ 786,103
Indirect operating expenses, net of corporate income	83,008
Expensed transaction, development and other pursuit costs, net of recoveries	4,991
Interest expense, net	203,585
Loss on extinguishment of debt, net	602
General and administrative expense	58,042
Joint venture (income) loss	(8,652)
Depreciation expense	661,578
Income tax expense (benefit)	13,003
Gain on sale of communities	(166,105)
Gain on other real estate transactions	(439)
For-sale condominium marketing and administrative costs	3,812
NOI from real estate assets sold or held for sale	(12,318)
NOI	\$ 1,627,210
Established:	
New England	\$ 164,977
Metro NY/NJ	291,662
Mid-Atlantic	207,091
Pacific NW	82,186
No. California	280,216
So. California	291,340
Total Established	1,317,472
Other Stabilized	202,445
Redevelopment	83,052
Development	24,241
NOI	\$ 1,627,210

	Full Year 2019 NOI
NOI for Established Communities	\$ 1,317,472
NOI for Other Stabilized Communities	202,445
NOI for Redevelopment Communities	83,052
NOI for Development Communities	24,241
NOI from real estate assets sold or held for sale	12,318
Total NOI generated by real estate assets	\$ 1,639,528
NOI on encumbered assets	109,454
NOI on unencumbered assets	\$ 1,530,074

Unencumbered NOI	93%

About AvalonBay Communities, Inc.

As of December 31, 2019, the Company owned or held a direct or indirect ownership interest in 297 apartment communities containing 86,846 apartment homes in 11 states and the District of Columbia, of which 22 communities were under development and two communities were under redevelopment. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in leading metropolitan areas primarily in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and the Northern and Southern California regions of the United States. More information may be found on the Company's website at <http://www.avalonbay.com>.

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