

February 27, 2025



## AvalonBay Communities Advances Portfolio Optimization Efforts Through Planned Acquisition of Eight Apartment Communities in Texas and Reaffirms Outlook

ARLINGTON, Va.--(BUSINESS WIRE)-- **AvalonBay Communities, Inc.** (the "Company") (NYSE: AVB) announced today that it is under contract with BSR Real Estate Investment Trust (TSX: HOM.U and HOM.UN) ("BSR REIT"), and its operating subsidiary, BSR Trust, LLC ("BSR Trust"), to acquire two apartment communities in the Austin metropolitan area (the "Austin Assets"), and that it has entered into an agreement with BSR REIT, BSR Trust, and certain holders of Class B Units of BSR Trust ("BSR Class B Units"), to acquire six apartment communities in the Dallas-Fort Worth metropolitan area (the "Dallas Portfolio").

"This transaction will double the size of our portfolio in our Texas Expansion Regions at a time when assets can be acquired at a compelling basis relative to today's construction costs, with assets that are strongly aligned with our portfolio allocation priorities," said Matthew Birenbaum, AvalonBay's Chief Investment Officer. "The assets are suburban garden communities with an average age of 11 years, providing a strong complement to our current and planned development activity with rents at a more affordable price point, and allowing for increased operating synergies as we increase our scale in these high-growth regions."

The acquisition of the Austin Assets is expected to close on or around March 31, 2025, for an aggregate purchase price of \$187.0 million in cash, funded with disposition proceeds, and is subject to customary closing conditions.

The acquisition of the Dallas Portfolio is expected to close in the second quarter of 2025 for a stated aggregate purchase price of \$431.5 million, which will take the form of a cash payment of approximately \$193.0 million, a portion of which will be used by BSR Trust for the repayment of existing indebtedness relating to the Dallas Portfolio with the remainder used for the repayment of other indebtedness, payment of transaction expenses and general corporate purposes, and the issuance to participating holders of BSR Class B Units of

approximately \$238.5 million of DownREIT Units (as defined below), valued at \$225 per unit, in a newly formed subsidiary partnership of the Company (the “AVB DownREIT”). The closing of the Dallas Portfolio is subject to customary closing conditions and to the participation of additional holders of BSR Class B Units.

Following is a summary of each community to be acquired:

| <u>Community</u>                   | <u>Metro Area</u> | <u>Homes</u> | <u>Year Built</u> |
|------------------------------------|-------------------|--------------|-------------------|
| Cielo <sup>(1)</sup>               | Austin            | 554          | 2015              |
| Retreat at Wolf Ranch              | Austin            | 303          | 2017              |
| <b>Subtotal   Weighted Average</b> |                   | <b>857</b>   | <b>2016</b>       |
| Auberry at Twin Creeks             | Dallas-Fort Worth | 216          | 2005              |
| Satori Frisco                      | Dallas-Fort Worth | 330          | 2019              |
| Vale Frisco                        | Dallas-Fort Worth | 349          | 2021              |
| Aura Benbrook                      | Dallas-Fort Worth | 301          | 2020              |
| Lakeway Castle Hills               | Dallas-Fort Worth | 276          | 2019              |
| Wimberly                           | Dallas-Fort Worth | 372          | 1995              |
| <b>Subtotal   Weighted Average</b> |                   | <b>1,844</b> | <b>2014</b>       |
| <b>Total   Weighted Average</b>    |                   | <b>2,701</b> | <b>2014</b>       |

(1) Cielo was developed and reported as two properties by BSR REIT, and upon acquisition it will be operated and reported as one community by AvalonBay.

For the eight communities to be acquired:

- The average price per home is approximately \$229,000.
- The weighted average rent per home is \$1,675 per month.
- The weighted average initial Market Cap Rate is projected to be in the high 4% range.

Only holders of BSR Class B Units who are residents of the United States and qualify as accredited investors pursuant to the Securities Act of 1933, as amended, will be permitted to receive DownREIT Units in connection with the contribution of the Dallas Portfolio to the AVB DownREIT. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## 2025 Outlook Reaffirmed

The Company reaffirms its previously disclosed ranges for first quarter and full year 2025 projected EPS (diluted), Projected FFO per share, and Projected Core FFO per share, which reaffirmation is not dependent on the closing of the transactions described above.

## Advisors

Wachtell, Lipton, Rosen & Katz, Davies Ward Phillips & Vineberg LLP and Goulston & Storrs PC are acting as legal counsel to the Company in connection with the transaction.

### **About AvalonBay Communities, Inc.**

AvalonBay Communities, Inc., a member of the S&P 500, is an equity REIT that develops, redevelops, acquires and manages apartment communities in leading metropolitan areas in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California, as well as in the Company's expansion regions of Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado. As of December 31, 2024, the Company owned or held a direct or indirect ownership interest in 306 apartment communities containing 93,518 apartment homes in 12 states and the District of Columbia, of which 17 communities were under development.

### **Forward-Looking Statements**

This release 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. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The Company's forward-looking statements generally use the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," "plan," "may," "shall," "will," "pursue," "outlook" and other similar expressions that indicate future events and trends and do not report historical matters. These statements, among other things, address the Company's intent, belief, forecasts, assumptions or expectations with respect to first quarter and full year 2025 projected EPS (diluted), Projected FFO per share and Projected Core FFO per share; the acquisition of the Austin Assets and the Dallas Portfolio; the Market Cap Rate of acquired assets; the amount of the cash payment for the Dallas Portfolio; and the issuance of DownREIT Units in connection with the contribution of the Dallas Portfolio to the AVB DownREIT. The Company cannot assure the future results or outcome of the matters described in these statements; these statements reflect the Company's current expectations of the outcomes of the matters discussed. The Company does not undertake a duty to update these forward-looking statements, and therefore they may not represent the Company's estimates and assumptions after the date of this release. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control. These risks, uncertainties and other factors may cause the Company's actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. You should carefully review the discussion under Part I, Item 1A. "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2023 and Part II, Item 1A. "Risk Factors" in subsequent quarterly reports on Form 10-Q or Part I, Item 1A. "Risk Factors" in a subsequently filed Form 10-K for further discussion of risks associated with forward-looking statements. Some of the factors that could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following: the Company's assumptions and expectations in its financial outlook may prove to be too optimistic; the acquisitions of the Austin Assets and the Dallas Portfolio may not close at the time or on the terms currently

expected; the parties may not be able to satisfy the closing conditions of the acquisitions on the expected timeframe or at all; the possibility that the acquisitions may be more expensive to complete than anticipated, including as a result of unexpected factors or events; the Company may not be able to integrate the Austin Assets and the Dallas Portfolio in a manner consistent with its assumptions or those communities may not perform as estimated; and the Company may encounter liabilities for which it is responsible that were unknown at the time it agreed to the acquisitions.

## **Definitions**

DownREIT Units means units representing limited partnership interests in the AVB DownREIT. Each DownREIT Unit will be entitled to receive quarterly distributions at the same rate as quarterly dividends on a share of the Company's common stock. Following the one-year anniversary of the closing date, each holder of a DownREIT Unit will have the right to initiate a transaction in which each DownREIT Unit may be redeemed for a cash amount related to the then-current trading price of one share of the Company's common stock or, at the Company's election, one share of the Company's common stock.

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

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 due to a decrease in the value of depreciable real estate assets held by those affiliates and depreciation of real estate assets, including similar adjustments for unconsolidated partnerships and joint ventures, including those from a change in control. 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. By further adjusting for items that we do not consider be part of our core business operations, Core FFO can help with the comparison of core operating performance of the Company between periods.

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 an estimate of typical capital expenditure allowance 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 2.5% and an estimate of typical market costs for insurance, payroll and other operating expenses for which the Company may have proprietary advantages not available to a typical buyer. 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.

Projected FFO and Projected Core FFO, as provided within this press release, 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.

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