June 2, 2011

AvalonBay Communities Updates Second Quarter and Full-Year 2011 Outlook

ARLINGTON, Va.--(BUSINESS WIRE)-- AvalonBay Communities, Inc. (NYSE: AVB) announced today an increase in the Company's outlook for Earnings per Share - diluted ("EPS") and Funds from Operations attributable to common stockholders - diluted ("FFO") per share for the second quarter and full-year 2011. This release provides additional information to management's comments on April 28, 2011 (in connection with the Company's first quarter earnings release) in which the Company noted that full-year 2011 FFO per share would meet or exceed the high end of the range provided in February 2011 in the Company's fourth quarter 2010 earnings release (the "February 2011 Outlook").

Basis for Revised Outlook

During the year, the Company periodically updates its financial outlook based in part on actual economic conditions (including job growth and housing market conditions) which may differ from assumptions made at the beginning of the year. The Company's updated financial outlook also relies heavily on portfolio trend analysis.

Better than expected operating trends emerged earlier this year which are attributable to a number of factors, including strong job growth among younger age cohorts, a continued decline in homeownership and a record low level of new residential supply. Each of these factors is discussed in more detail below.

-- While current consensus job growth forecasts for 2011 are lower than the employment forecasts at the time of our February 2011 outlook, job creation during the first quarter of 2011 was concentrated in the 20-34 years old age cohort that historically demonstrates a high propensity to rent. While this stronger than normal employment growth in younger age cohorts may abate as the recovery progresses, the company believes it is resulting in higher demand for rental housing relative to what would be expected from current employment forecasts.

-- The nationwide homeownership rate continues to drop, reaching 66.5% as of Q1 2011. More stringent mortgage underwriting standards, declining home prices and lingering uncertainty regarding the economic outlook are all contributing to a reduction in demand in the for-sale housing market that, in turn, is benefiting rental housing.

-- Supply of new multi-family housing remains constrained. Only 110,000 multifamily units are expected to be completed in 2011, the lowest level of deliveries in 50 years and almost 70% below the average over the last ten years.

These factors are combining to produce better than expected operating results through the first half of the year. Operating results in East Coast markets remain strong and conditions in West Coast markets continue to accelerate, particularly in Northern California and metropolitan Seattle. Based on these trends as well as other leading indicators such as renewal rents, we expect that the portfolio will continue to operate above the original expectations previously provided in our February Outlook.

EPS and FFO per Share Outlook Revisions

For the quarter ending June 30, 2011, the Company now expects EPS to be between $0.42 and $0.45 and Projected FFO per share to be between $1.09 and $1.12. Projected FFO per share includes $0.01 per share of costs related to acquisitions and other transactions completed during the first two quarters of 2011, including the multi-asset exchange the Company announced on April 6, 2011. The Projected FFO per share range for the quarter ending June 30, 2011 previously provided in the April 27, 2011 earnings release was $1.06 to $1.10 per share.

For the full-year ending December 31, 2011, the Company now expects EPS to be within a range of $3.30 and $3.45, with Projected FFO per share to be within a range of $4.70 and $4.85. The full-year Projected FFO per share does not include future one-time transaction costs related to acquisitions that may occur during the third and fourth quarters of 2011. The previous Projected FFO per share for the full-year 2011 provided in the February 2011 Outlook was a range of $4.50 to $4.75.

For the quarter ending June 30, 2011, the Company expects revenue from Established Communities will increase by 4.4% compared to the prior year period. For the full-year 2011, revenue from Established Communities is anticipated to increase 5.0% to 5.75% as compared to the prior year. This compares to an increase of 4.0% to 5.5% for the full-year 2011 included in the February 2011 Outlook.

The Company expects sequential revenue growth of 2.0% from Established Communities from the first quarter 2011 to the second quarter 2011.

The Company expects Net Operating Income from Established Communities ("NOI") will increase by 7.0% to 8.5% for the full-year 2011 as compared to the prior year. The February 2011 Outlook anticipated NOI for the full-year 2011 would increase by 6.0% to 7.5% as compared to the prior year.

An analysis of the revised full-year 2011 financial outlook compared to the February 2011 Outlook follows:

Full-Year 2011 Outlook

As of June 2011

Changes from February 2011

	Per Share
FFO (February 2011 Outlook)	$4.63
NOI and other income	0.10
Reduction of Interest Expense	0.02
Overhead and Other	0.02
FFO (June 2011 Outlook)	$4.77

Changes in the Company's expectations are also summarized on Attachment A of this release.

Capital Markets Activity

Year to date in 2011, the Company has sold 1,247,910 shares of common stock under the continuous equity offering program at an average price of approximately $116 per share, for net proceeds of $142.6 million.

Second Quarter Earnings Release and Other Matters

The Company expects to release its second quarter 2011 earnings on July 27, 2011 after the market closes. The Company expects to hold a conference call on July 28, 2011 at 1:00 PM ET to discuss the second quarter 2011 results.

The Company is scheduled to participate in the NAREIT Institutional Investor Forum in New York, NY from June 7-9, 2011. The Company will present and conduct a question and answer session at the conference. Management may discuss the Company's current operating environment; operating trends; development, redevelopment, disposition and acquisition activity; financial outlook; portfolio strategy and other business and financial matters affecting the Company. Details on how to access a webcast of the Company's presentation will be available in advance of the conference event at the Company's website at http://www.avalonbay.com/events.

About AvalonBay Communities, Inc.

As of March 31, 2011, the Company owned or held a direct or indirect ownership interest in 187 apartment communities containing 55,027 apartment homes in ten states and the District of Columbia, of which 11 communities were under construction and nine communities were under reconstruction. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in high barrier-to-entry markets of the United States. More information may be found on the Company's website at http://www.avalonbay.com. For additional information, please contact John Christie, Senior Director of Investor Relations at 1-703-317-4747 or Thomas J. Sargeant, Chief Financial Officer at 1-703-317-4635.

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. You can identify these forward-looking statements 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. Actual results may differ materially from those expressed or implied by the forward-looking statements as a result of risks and uncertainties, which include the following: national and local economic trends, including those relating to employment levels, household formation or homeownership trends, may be different than we anticipate, which may adversely impact our expected occupancy and revenue assumptions and projections; 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, and other economic 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; and increases in costs of materials, labor or other expenses may result in communities that we develop or redevelop failing to achieve expected profitability. Additional discussions of risks and uncertainties 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, 2010 under the headings "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, including its expected operating results for the second quarter or full-year 2011. The Company may, in its discretion, provide information in future public announcements regarding its outlook that may be of interest to the investment community. The format and extent of future outlooks may be different from the format and extent of the information contained in this release.

Definitions and Reconciliations

This release includes the definitions and reconciliations of the following non-GAAP financial measures and other capitalized terms:

FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("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, extraordinary gains or losses (as defined by GAAP), cumulative effect of a change in accounting principle and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. Management generally considers FFO to be an appropriate supplemental measure of operating performance because, 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 performance of a company's real estate between periods or as compared to different companies.

Projected FFO, as provided within this release in the Company's outlook, is calculated on a basis consistent with historical FFO, and is therefore considered to be an appropriate supplemental measure to projected net income from projected operating performance. A reconciliation of the range provided for Projected FFO per share (diluted) for the second quarter and full-year 2011 to the range provided for projected EPS (diluted) is as follows:

	Low range	High range
Second Quarter 2011:		
Projected EPS (diluted) - Q2 11	$ 0.42	$ 0.45
Projected depreciation (real estate related)	0.70	0.73
Projected gain on sale of operating communities	(0.03)	(0.06)
Projected FFO per share (diluted) - Q2 11	$ 1.09	$ 1.12
Full-Year 2011:		
Projected EPS (diluted) - Full-Year 2011	$ 3.30	$ 3.45
Projected depreciation (real estate related)	2.76	2.91
Projected gain on sale of operating communities	(1.36)	(1.51)
Projected FFO per share (diluted) - Full-Year 2011	$ 4.70	$ 4.85

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excludes corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed development and other pursuit costs, net interest expense, gain (loss) on extinguishment of debt, general and administrative expense, joint venture income (loss), depreciation expense, impairment loss on land holdings, gain on sale of real estate assets and income from discontinued operations. The Company considers NOI to be an appropriate supplemental 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 corporate-level property management overhead or general and administrative costs. This is more reflective of the operating performance of a community, and allows for an easier comparison of the operating performance of single assets or groups of assets. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by 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.

Projected NOI, as used within this release for certain Development Communities and in calculating the Initial Year Market Cap Rate for dispositions, represents management's estimate, as of the date of this release (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 year of Stabilized Operations, as defined below, following the completion of construction. In calculating the Initial Year 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 (based on leased rents for occupied homes and Market Rents, as defined below, for vacant homes) minus projected economic vacancy and adjusted for concessions. 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. The weighted average Projected NOI as a percentage of Total Capital Cost 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 release 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 or redevelopment will achieve the Projected NOI as described in this release.

Total Capital Cost includes all capitalized costs projected to be or actually incurred to develop the respective Development 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, all as determined in accordance with GAAP.

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

Established Communities are identified by the Company as 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 of the beginning of the prior year. Therefore, for 2011, Established Communities are consolidated communities that have stabilized operations as of January 1, 2010 and are not conducting or planning to conduct substantial redevelopment activities within the current year. Established Communities do not include communities that are currently held for sale or planned for disposition during the current year.

Attachment A

2011 Financial Outlook

As of June 2, 2011

(dollars in millions, except per share data)

	Revised Full-Year	Original Full-Year
Job Growth Data & Assumptions	(as of Jun 2011)	(as of Feb 2011)
2011 Expected US job growth	1.8%	2.4%
2011 Expected AVB Markets job growth	1.7%	2.4%
	Annual 2011	Annual 2011
LIBOR Assumption	.25% to .50%	.25% to .70%
Projected Earnings per Share	$3.30 to $3.45	$3.09 to $3.34
Less - Net gain on asset sales, per share	$1.36 to $1.51	$1.23 to $1.48
Plus - Real estate depreciation, per share	$2.76 to $2.91	$2.64 to $2.89
Projected FFO per share range(2) (3)	$4.70 to $4.85	$4.50 to $4.75
Projected FFO per Share Change at the Mid-Point of Outlook Ranges		
Projected FFO per share change	19.4%	15.8%
Projected FFO per share change adjusted for non-routine items in 2011 and 2010	19.1%	16.3%
Established Communities(2)		
Rental revenue change	5.0% to 5.75%	4.0% to 5.5%
Net Operating Income change	7.0% to 8.5%	6.0% to 7.5%
Development Activity		
	Total	Total
Cash disbursed for Development Communities (2) and land for future development	$600 to $800	$600 to $800
Development Community (2) completions	$300	$300
Number of apartment homes delivered and occupied in 2011	1,000 to 1,100	1,000 to 1,100
Acquisition / Disposition Activity		
Net acquisition / disposition volume, AVB	$0	$0

wholly owned		
Disposition volume, Fund I (AVB ownership approximately 15%)	$50 to $150	$0 to $200
Acquisition volume, Fund II (AVB ownership approximately 30%)	$200 to $400	$300 to $500
Financing Activity - Sources (Uses)		
New capital markets activity	$500 to $700	$500 to $700
Debt maturities	($237)	($237)
Weighted average effective interest rate on maturing debt	5.6%	5.6%
Capitalized Interest	$32 to $36	$30 to $40
Change in Expensed Overhead (Corporate G&A, Property and Investment Management)	5% to 10%	5% to 10%

(1) Moody's Economy.com annual non-farm job growth.

(2) Non-GAAP measure or other term described more fully elsewhere in this release.

(3) Includes the net increase of $0.10 per share from the expected disposition of a community subject to a long-term ground lease.

This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements contained elsewhere in this release.

Source: AvalonBay Communities, Inc.