

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

77-0404318  
(I.R.S. Employer  
Identification No.)

2900 Eisenhower Avenue, Suite 300  
Alexandria, Virginia 22314  
(Address of principal executive office, including zip code)

(703) 329-6300  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<TABLE> <S>	<C>
Common Stock, par value \$.01 per share	New York Stock Exchange, Pacific Exchange
Preferred Stock Purchase Rights	New York Stock Exchange, Pacific Exchange
8.50% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific Exchange
8.00% Series D Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific Exchange
9.00% Series F Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange
8.96% Series G Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange
8.70% Series H Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific Exchange

(Title of each class) (Name of each exchange on which registered)

</TABLE>

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Registrant's Common Stock, par value \$.01 per share, held by nonaffiliates of the Registrant, as of March 1, 2001 was \$3,241,568,243.

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of March 1, 2001 was 67,378,263.

Documents Incorporated by Reference

Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2001 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled "Forward-Looking Statements" on page 37 of this Form 10-K.

ITEM 1. BUSINESS

General

AvalonBay is a Maryland corporation that has elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. We focus on the ownership and operation of upscale apartment communities (which generally command among the highest rents in their submarkets) in high barrier-to-entry markets of the United States. This is because we believe that the limited new supply of upscale apartment homes in these markets helps achieve more predictable growth in cash flows. These barriers-to-entry generally include a difficult and lengthy entitlement process with local jurisdictions and dense in-fill locations where zoned and entitled land is in limited supply. Our markets are located in Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the United States. We believe that we have penetrated substantially all of the high barrier-to-entry markets of the United States.

As of March 1, 2001, we owned or held a direct or indirect ownership interest in 126 operating apartment communities containing 37,256 apartment homes in twelve states and the District of Columbia, of which four communities containing 2,211 apartment homes were under redevelopment. In addition to these operating communities, we also owned 12 communities under construction that will contain 3,484 apartment homes and rights to develop an additional 33 communities that, if developed as expected, will contain an estimated 9,091 apartment homes. We

generally obtain ownership in an apartment community by developing vacant land into a new community or by acquiring and either repositioning or redeveloping an existing community. In selecting sites for development, redevelopment or acquisition, we favor locations that are near expanding employment centers and convenient to recreation areas, entertainment, shopping and dining.

Our real estate investments consist of Stable Communities, Developed Communities and Redeveloped Communities. A description of these segments and other related information can be found in note ten of the consolidated financial statements set forth in item 8 of this report.

Our principal operating objectives are to increase long-term stockholder value by increasing operating cash flow and Funds from Operations (based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) in October 1999). For a description of the meaning of Funds from Operations and its use and limitation as an operating measure, see the discussion titled "Funds from Operations" in Item 7 of this report. Our strategies and goals to achieve these objectives include:

- o generating consistent, sustained earnings growth at each community through increased revenue, by balancing high occupancy with premium pricing, and increased operating margins from operating expense management;
- o investing selectively in new development, redevelopment and acquisition communities in markets with growing demand and high barriers-to-entry;
- o selling communities in markets where we have limited market presence or seek to adjust our market penetration; and
- o maintaining a conservative capital structure to provide continuous access to cost-effective capital.

We believe that we can generally implement these strategies best by developing, redeveloping, acquiring and managing upscale assets in supply-constrained markets while maintaining the financial discipline to ensure balance sheet flexibility.

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Development Strategy. We carefully select land for development and follow established procedures that we believe minimize both the cost and the risks of development. As one of the largest developers of multifamily apartment communities in high barrier-to-entry markets of the United States, we identify development opportunities through local market presence and access to local market information achieved through our regional offices. In addition to our principal executive offices in Alexandria, Virginia, we also maintain regional offices and administrative or specialty offices in or near the following cities:

- o San Jose, California;
- o Wilton, Connecticut;
- o Boston, Massachusetts;
- o Chicago, Illinois;
- o Iselin, New Jersey;
- o Minneapolis, Minnesota;
- o Newport Beach, California;
- o New York, New York; and
- o Seattle, Washington.

After selecting a target site, we usually negotiate for the right to acquire the site either through an option or a long-term conditional contract. Options and long-term conditional contracts generally enable us to acquire the target site shortly before the start of construction, which reduces development-related risks as well as preserves capital. After we acquire land, we generally shift our focus to construction. Except for certain mid-rise and high-rise apartment communities where we elect to use third-party general contractors or construction managers, we act as our own general contractor. We believe this enables us to achieve higher construction quality, greater control over construction schedules and significant cost savings. Our development and property management teams monitor construction progress to ensure high quality workmanship and a smooth and timely transition into the leasing and operational phase.

Redevelopment Strategy. When we undertake the redevelopment of a community, our goal is to generally renovate and/or rebuild an existing community so that our total investment is significantly below replacement cost and the community is the highest quality apartment community or best rental value for an upscale apartment community in its local area. We have established procedures to minimize both the cost and risks of redevelopment. Our redevelopment teams, which include key redevelopment, construction and property management personnel, monitor redevelopment progress. We believe we achieve significant cost savings by acting as our own general contractor. More importantly, this helps to ensure high quality design and workmanship and a smooth and timely transition into the lease-up and restabilization phase.

Disposition Strategy. To increase our concentration of communities in selected

high barrier-to-entry markets, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities under construction or reconstruction. This disposition strategy acts as a source of capital because we are able to redeploy the net proceeds from our dispositions in lieu of raising that amount of capital externally. Under this program, we solicit competing bids from unrelated parties for these individual assets and consider the sales price and tax ramifications of each proposal. In connection with this disposition program, we disposed of a total of nine communities since January 1, 2000. The net proceeds from the sale of these assets were approximately \$139 million. However, we cannot provide assurance that we will be able to continue our current disposition strategy or that assets identified for sale can be sold on terms that are satisfactory to us.

Acquisition Strategy. Our core competencies in development and redevelopment discussed above allow us to be selective in the acquisitions we target. As of March 1, 2001 we had acquired seven communities, containing 1,960 apartment homes, since the beginning of 2000. Six of these communities were acquired in connection with a forward purchase contract agreed to in 1997 with an unaffiliated party. The remaining two presale acquisitions provided for under the 1997 agreement, and one presale commitment provided for under a separate agreement, are expected to close during the next 24 months for an estimated aggregate purchase price of \$147.3 million. Together, these three communities are expected to contain 968 apartment homes when completed. We will manage these communities after acquiring ownership. This expansion is consistent with our strategy to achieve long-term

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earnings growth by providing a high quality platform for expansion while also providing additional economic and geographic diversity. The acquisition of these presale communities was designed to achieve rapid penetration into markets that are generally supply constrained and in which we had no significant presence.

Property Management Strategy. We intend to increase operating income through innovative, proactive property management that will result in higher revenue with controlled operating expenses from communities.

Our principle strategies to maximize revenue include:

- o intense focus on resident satisfaction;
- o staggering lease terms based on vacancy exposure by apartment type, so that lease expirations are better matched to each community's traffic patterns;
- o increasing rents as market conditions permit;
- o managing community occupancy for optimal rental revenue levels; and
- o applying new technology to optimize revenue from each community.

Controlling operating expenses is another way in which we intend to increase earnings growth. Growth in our portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. We aggressively pursue real estate tax appeals and control operating expenses as follows:

- o record invoices on-site to ensure careful monitoring of budgeted versus actual expenses;
- o purchase supplies in bulk where possible;
- o bid third-party contracts on a volume basis;
- o strive to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and vacant apartment utility costs;
- o perform turnover work in-house or hire third-parties generally depending upon the least costly alternative; and
- o undertake preventive maintenance regularly to maximize resident satisfaction and property and equipment life.

On-site property management teams receive bonuses based largely upon the net operating income produced at their respective communities. We are also pursuing ancillary services which could provide additional revenue sources. On a limited basis, we also manage properties for third parties, believing that doing so will provide information about new markets or provide an acquisition opportunity, thereby enhancing opportunities for growth.

Technology Strategy. We believe that an innovative management information system infrastructure will be an important element in managing our future growth. This is because timely and accurate collection of financial and resident profile data will enable us to maximize revenue through careful leasing decisions and financial management. We currently employ a company-wide intranet using a digital network with high-speed digital lines. This network connects all of our communities and offices to central servers in Alexandria, Virginia, providing access to our associates and to AvalonBay's corporate information throughout the country from all locations.

We have invested in three technology companies in the belief that the development and application of their technology and services will improve the

operating performance of our real estate holdings. Realeum, Inc. is engaged in the development of an on-site property management system and leasing automation system to enable management to capture, review and analyze data to a greater extent than is possible using existing commercial software. Broadband Residential Inc. was formed to provide broadband communication services (such as Internet access and video) to residents of multifamily communities. Viva Group, Inc. provides a system for renters and property owners to identify each other and interact and negotiate lease terms over the Internet. Except for a commitment to lend approximately \$700,000 to Broadband Residential if certain conditions are met, we are not obligated to provide any more capital to any of these entities, although we may have the opportunity to exercise preemptive rights that would require us to make further investments. We hold a minority interest position in each of

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these entities. The aggregate carrying value of these investments at December 31, 2000 was \$3.6 million. To help monitor our investments, Thomas J. Sargeant, our Executive Vice President and Chief Financial Officer, is a director of Realeum, Inc. and Richard L. Michaux, our Executive Chairman, is a director of Broadband Residential. In addition to the three investments described above, we are a member of Constellation Real Technologies LLC, an entity formed by a number of real estate investment trusts and real estate operating companies for the purpose of investing in multi-sector real estate technology opportunities. Our capital commitment to Constellation Real Technologies is \$4.0 million, although we have made no capital contributions to date.

Financing Strategy. We have consistently maintained, and intend to continue to maintain, a conservative capital structure, largely comprised of common equity. At December 31, 2000, our debt-to-total market capitalization (i.e., the aggregate of the market value of common stock, the liquidation preference of preferred stock and the principle amount of debt) was 30.9%, and our permanent long-term floating rate debt, not including borrowings under the unsecured credit facility, was only 1.2% of total market capitalization. We currently intend to incur long-term floating rate debt only if after such incurrence long-term floating rate debt represents less than 10% of total market capitalization, although that policy may change from time to time.

Currently, we are impacted by a reduction in the availability of cost-effective capital. Therefore, we cannot assure you that cost-effective capital will be available to meet future expenditures required to begin planned construction or reconstruction activity. Before planned construction or reconstruction activity begins, we intend to arrange adequate capital sources to complete such undertakings, although we cannot assure you that we will be able to obtain such financing. During 2000, substantially all of our construction and reconstruction activities were funded by issuance of unsecured debt securities, asset sales, through nontaxable like-kind exchanges, and retained operating cash. In the event that financing cannot be obtained, we may have to abandon planned development activities, write-off associated pursuit costs and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses.

We estimate that a portion of our short-term liquidity needs will be met from retained operating cash and borrowings under our \$600,000,000 variable rate unsecured credit facility. At March 1, 2001, \$0 was outstanding, \$82,753,000 was used to provide letters of credit and \$517,247,000 was available for borrowing under the unsecured credit facility.

If required, to meet the balance of our liquidity needs we will need to arrange additional capacity under our existing unsecured credit facility, sell additional existing communities and/or issue additional debt or equity securities. While we believe we have the financial position to expand our short-term credit capacity and access the capital markets as needed, we cannot assure you that we will be successful in completing these arrangements, sales or offerings. The failure to complete these transactions on a cost-effective basis could have a material adverse impact on our operating results and financial condition, including the abandonment of deferred development costs and a resultant charge to earnings.

#### Inflation and Tax Matters

Substantially all of our leases are for a term of one year or less, which may enable us to realize increased rents upon renewal of existing leases or the beginning of new leases. Such short-term leases generally minimize the risk to us of the adverse effects of inflation, although as a general rule these leases permit residents to leave at the end of the lease term without penalty. Our current policy is generally to permit residents to terminate leases upon an agreed advance written notice and a lease termination payment, as provided for in the resident's lease. Short-term leases combined with relatively consistent demand allow rents, and therefore cash flow from the portfolio, to provide an attractive inflation hedge.

We filed an election with our initial federal income tax return to be taxed as a

REIT under the Internal Revenue Code of 1986, as amended, and intend to maintain our qualification as a REIT in the future. As a qualified REIT, with limited exceptions, we will not be taxed under federal and certain state income tax laws at the corporate level

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on our net income to the extent net income is distributed to our stockholders. We expect to make sufficient distributions to avoid income tax at the corporate level.

#### Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required, in many instances regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at such property. The owner or operator may be held liable to a governmental entity or to third parties for property damage and for investigation and remediation costs incurred by such parties in connection with the contamination, which may be substantial. The presence of such substances, or the failure to properly remediate the contamination, may adversely affect the owner's ability to borrow against, sell or rent such property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials, or ACMs, when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with our ownership and operation of apartment communities, we potentially may be liable for such costs. We are not aware that any ACMs were used in connection with the construction of the communities developed by us. However, we are aware that ACMs were used in connection with the construction of certain communities acquired by us. We do not anticipate that we will incur any material liabilities in connection with the presence of ACMs at these communities. We currently have or intend to implement an operations and maintenance program for ACMs at each of the communities at which ACMs have been detected.

All of our stabilized operating communities, and all of the communities that we are currently developing or redeveloping, have been subjected to at least a Phase I or similar environmental assessment which generally does not involve invasive techniques such as soil or ground water sampling. These assessments have not revealed any environmental conditions that we believe will have a material adverse effect on our business, assets, financial condition or results of operations. We are not aware of any other environmental conditions which would have such a material adverse effect.

However, we are aware that the migration of contamination from an upgradient landowner near Avalon at Silicon Valley (formerly known as Toscana), a community owned by us, has affected the groundwater there. The upgradient landowner is undertaking remedial response actions and a ground water treatment system has been installed. We expect that the upgradient landowner will take all necessary remediation actions and ensure the ongoing operation and maintenance of the ground water treatment system. The upgradient landowner has also provided an indemnity that runs to current and future owners of the property and upon which we may be able to rely if environmental liability arises from the groundwater contamination.

We are also aware that certain communities have lead paint and we are undertaking or intend to undertake appropriate remediation.

Additionally, prior to 1994, we had occasionally been involved in developing, managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which could relate to hazardous or toxic substances. We are not aware of any material environmental liabilities with respect to properties that we managed or developed for such third parties.

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We cannot provide assurance that:

- o the environmental assessments identified all potential environmental liabilities;
- o no prior owner created any material environmental condition not known to us or the consultants who prepared the assessments;
- o no environmental liabilities developed since such environmental assessments were prepared;

- o the condition of land or operations in the vicinity of our communities, such as the presence of underground storage tanks, will not affect the environmental condition of such communities;
- o future uses or conditions, including, without limitation, changes in applicable environmental laws and regulations, will not result in the imposition of environmental liability; or
- o no environmental liabilities will develop at communities that have been sold pursuant to our disposition strategy for which we may have liability.

ITEM 2. COMMUNITIES

Our real estate investments consist of current operating apartment communities, communities in various stages of development, and land or land options held for development. The following is a description of each category:

Current Communities are categorized as Established, Other Stabilized, Lease-Up, or Redevelopment according to the following:

- o Established Communities (also known as Same Store Communities) are 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 operating costs as of the beginning of the prior year. We determine which of our communities fall into the Established Communities category annually on January 1 of each year and maintain that classification throughout the year. For the year 2000, the Established Communities were communities that had stabilized operating costs as of January 1, 1999.
- o Other Stabilized Communities are all other completed communities that have stabilized occupancy and are not undergoing or planning redevelopment activities. We consider a community to have stabilized occupancy at the earlier of (i) attainment of 95% occupancy or (ii) the one-year anniversary of completion of development or redevelopment. For the year 2000, Other Stabilized Communities therefore include communities that were either acquired or achieved stabilization after January 1, 1999 and that were not undergoing or planning redevelopment activities.
- o Lease-Up Communities are communities where construction has been complete for less than one year and where occupancy has not reached 95%.
- o Redevelopment Communities are communities where substantial redevelopment is in progress or is planned to take place during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort exceeds the lesser of \$5 million or 10% of the community's acquisition cost.

Development Communities are communities that are under construction and for which a final certificate of occupancy has not been received. These communities may be partially complete and operating.

Development Rights are development opportunities in the early phase of the development process for which we have an option to acquire land, for which we are the buyer under a long-term conditional contract to purchase land or where we own land to develop a new community. We capitalize all related pre-development costs incurred in pursuit of these new developments.

As of December 31, 2000, our communities were classified as follows:

	Number of communities	Number of apartment homes
	-----	-----
Current Communities		
Established Communities:		
Northern California	24	6,275
Southern California	8	1,855
Mid-Atlantic	17	4,835
Northeast	18	4,773
Midwest	6	1,591
Pacific Northwest	1	264
	-----	-----
Total Estabilshed	74	19,593
Other Stabilized Communities:		
Northern California	9	2,840
Southern California	8	2,920
Mid-Atlantic	3	1,075
Northeast	17	5,101
Midwest	3	1,033
Pacific Northwest	8	2,374
	-----	-----
Total Other Stabilized	48	15,343

Lease-Up Communities	--	--
Redevelopment Communities	4	2,211
Total Current Communities	126	37,147
Development Communities	12	3,484
Development Rights	33	9,091

Our holdings under each of the above categories are discussed on the following pages.

#### Current Communities

The Current Communities are primarily garden-style apartment communities consisting of two and three-story buildings in landscaped settings. The Current Communities, as of March 1, 2001, include 103 garden-style, 15 high-rise and eight mid-rise apartment communities. The Current Communities offer many attractive amenities including some or all of the following:

- o vaulted ceilings;
- o lofts;
- o fireplaces;
- o patios/decks; and
- o modern appliances.

Other features at various communities may include:

- o swimming pools;
- o fitness centers;
- o tennis courts; and
- o business centers.

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We also have an extensive and ongoing maintenance program to keep all communities and apartment homes substantially free of deferred maintenance and, where vacant, available for immediate occupancy. We believe that the aesthetic appeal of our communities and a service oriented property management team focused on the specific needs of residents enhances market appeal to discriminating residents. We believe this will ultimately achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses. These Current Communities are located in the following geographic markets:

<TABLE>  
<CAPTION>

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1-1-00	3-1-01	1-1-00	3-1-01	1-1-00	3-1-01
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Northern California	36	30	9,743	8,889	27.0%	23.8%
Oakland-East Bay, CA	8	6	2,278	2,090	6.3%	5.6%
Sacramento, CA	1	--	302	--	0.8%	0.0%
San Francisco, CA	9	8	1,991	1,765	5.5%	4.7%
San Jose, CA	18	16	5,172	5,034	14.4%	13.5%
Southern California	18	18	5,816	5,817	16.1%	15.6%
Los Angeles, CA	6	6	2,561	2,561	7.1%	6.9%
Orange County, CA	8	8	2,022	2,022	5.6%	5.4%
San Diego, CA	4	4	1,233	1,234	3.4%	3.3%
Pacific Northwest	5	10	1,376	2,971	3.9%	8.0%
Portland, OR	1	2	279	776	0.8%	2.1%
Seattle, WA	4	8	1,097	2,195	3.1%	5.9%
Northeast	33	36	10,359	11,043	28.8%	29.7%
Boston, MA	9	10	2,580	2,734	7.2%	7.3%
Fairfield County, CT	9	11	2,637	2,960	7.3%	8.0%
Hartford, CT	1	1	932	932	2.6%	2.5%
Long Island, NY	3	3	575	915	1.6%	2.5%
Northern New Jersey	3	3	1,124	1,124	3.1%	3.0%
Central New Jersey	4	3	1,504	1,144	4.2%	3.1%
New York, NY	4	5	1,007	1,234	2.8%	3.3%
Mid-Atlantic	22	20	6,499	5,912	18.1%	15.8%
Baltimore, MD	4	4	1,052	1,054	2.9%	2.8%
Norfolk, VA	2	--	486	--	1.4%	0.0%
Richmond, VA	1	--	268	--	0.8%	0.0%



Washington, DC	15	16	4,693	4,858	13.0%	13.0%
Midwest	8	9	2,215	2,624	6.2%	7.1%
Chicago, IL	3	4	887	1,296	2.5%	3.5%
Minneapolis, MN	5	5	1,328	1,328	3.7%	3.6%
	=====	=====	=====	=====	=====	=====
	122	123	36,008	37,256	100.0%	100.0%
	=====	=====	=====	=====	=====	=====

</TABLE>

We manage and operate all of the Current Communities. During the year ended December 31, 2000, we completed construction of 1,209 apartment homes in six communities for a total cost of \$175.2 million. The average age of the Current Communities, on a weighted average basis according to number of apartment homes, is 6.7 years.

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Of the Current Communities, as of March 1, 2001, we own:

- o a fee simple, or absolute, ownership interest in 104 operating communities, one of which is on land subject to a 149 year land lease;
- o a general partnership interest in four partnerships that each own a fee simple interest in an operating community;
- o a general partnership interest in four partnerships structured as "DownREITs," as described more fully below, that own an aggregate of 16 communities;
- o a 100% interest in a senior participating mortgage note secured by one community, which allows us to share in part of the rental income or resale proceeds of the community; and
- o a membership interest in a limited liability company that holds a fee simple interest in one Redevelopment community.

We also hold a fee simple ownership interest in eleven of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community.

In each of the four partnerships structured as DownREITs, either we or one of our wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions paid to the holders of units of limited partnership interests approximate the current AvalonBay common stock dividend amount. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of our common stock on the date of redemption. In lieu of cash, we may elect to acquire any unit presented for redemption for one share of our common stock. As of December 31, 2000, there were 671,226 units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

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Profile of Current and Development Communities  
(Dollars in thousands, except per apartment home data)

<TABLE>  
<CAPTION>

of	Average		Number of	Approx. rentable area	Year
Completion/	size	City and state	homes	(Sq. Ft.)	Acres
Acquisition	(Sq. Ft.)				
-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>
<C>					
CURRENT COMMUNITIES (5)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford		Hayward, CA	544	451,937	11.1
1985/86	831				
Hampton Place		Fremont, CA	308	316,072	14.3
1992/94	1,026				
Avalon Fremont (formerly Alicante)		Fremont, CA	135	130,350	8.0

1992/94	966				
	Avalon Pleasanton (formerly Hacienda Gardens)	Pleasanton, CA	456	377,438	14.7
1988/94	828				
	Avalon Dublin (formerly Armador Oaks)	Dublin, CA	204	179,004	13.0
1989/97	877				
	Avalon at Willow Creek	Fremont, CA	235	197,575	3.5
1985/94	841				
	Avalon at Union Square (formerly Parc Center at Union Square)	Union City, CA	208	150,140	8.5
1973/96	722				
	San Francisco, CA				
	Crowne Ridge	San Rafael, CA	254	221,525	21.9
1973/96	872				
	Avalon at Sunset Towers	San Francisco, CA	243	175,511	16.0
1961/96	722				
	Avalon at Nob Hill (formerly City Heights)	San Francisco, CA	185	109,238	1.4
1990/95	590				
	Avalon at Diamond Heights (formerly Village Square)	San Francisco, CA	154	123,080	2.6
1972/94	799				
	Avalon Towers by the Bay	San Francisco, CA	226	243,033	1.0
1999	1,075				
	Crossbrook	Rohnert Park, CA	226	164,219	9.0
1986/94	727				
	Avalon at Cedar Ridge	Daly City, CA	195	141,411	8.0
1975/97	725				
	Avalon Foster City (formerly Regatta Bay)	Foster City, CA	288	222,276	11.0
1973/94	772				
	Avalon Pacifica (formerly Sea Ridge)	Pacifica, CA	220	186,785	7.7
1971/95	849				
	San Jose, CA				
	Avalon Silicon Valley (formerly Toscana)	Sunnyvale, CA	710	658,591	13.6
1997	928				
	Avalon at Blossom Hill (formerly Carriage Square)	San Jose, CA	324	322,207	7.5
1995	994				
	Avalon Campbell (formerly Canyon Creek)	Campbell, CA	348	326,796	8.0
1995	939				
	CountryBrook	San Jose, CA	360	323,012	14.0
1985/96	897				
	Avalon at Pruneyard (formerly The Arbors)	Campbell, CA	252	197,000	8.5
1966/97	782				
	Avalon at Creekside	Mountain View, CA	294	215,680	13.0
1962/97	734				
	Avalon at River Oaks (formerly The Fountains at River Oaks)	San Jose, CA	226	210,050	4.0
1990/96	929				
	Avalon at Parkside (formerly Parkside Commons)	Sunnyvale, CA	192	199,353	8.0
1991/96	1,038				
	San Marino	San Jose, CA	248	209,465	11.5
1984/88	845				
	Avalon Sunnyvale (formerly The Promenade)	Sunnyvale, CA	220	159,653	5.0
1987/95	726				
	Avalon at Foxchase	San Jose, CA	396	335,212	12.0
1986/87	844				
	Fairway Glen	San Jose, CA	144	119,492	6.0
1986	830				
	Avalon Cupertino (formerly Centermark)	Cupertino, CA	311	293,328	8.0
1999	943				
	Avalon on the Alameda	San Jose, CA	305	299,722	8.9
1999	983				
	Avalon Rosewalk	San Jose, CA	300	297,696	10.8
1997	992				
	Avalon Rosewalk II	San Jose, CA	156	152,556	5.8
1999	978				

<CAPTION>

Rental		Average			
		Physical	Average Economic		Rate
		occupancy	Occupancy		-----
per reporting	City and state	at 12/31/00	2000	1999	\$ per Apt (1) \$ Sq.
Ft. cost (4)					
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>	<C>				
CURRENT COMMUNITIES (5)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
	Waterford	Hayward, CA	97.8%	97.7%	96.0%
					1,120

1.32	\$ 58,603	Hampton Place	Fremont, CA	99.3%	98.7%	97.1%	1,555	
1.49	\$ 54,586	Avalon Fremont (formerly Alicante)	Fremont, CA	99.3%	98.2%	96.2%	1,505	
1.53	\$ 22,042	Avalon Pleasanton (formerly Hacienda Gardens)	Pleasanton, CA	94.5%	97.3%	95.4%	1,294	1.52
	\$ 59,460	Avalon Dublin (formerly Armador Oaks)	Dublin, CA	98.0%	97.8%	95.1%	1,353	
1.51	\$ 26,715	Avalon at Willow Creek	Fremont, CA	98.3%	98.5%	96.2%	1,386	
1.62	\$ 33,840	Avalon at Union Square (formerly Parc Center at Union Square)	Union City, CA	97.6%	97.3%	97.4%	1,183	
1.59	\$ 21,630							
		San Francisco, CA						
		Crowne Ridge	San Rafael, CA	97.2%	97.4%	95.2%	1,400	
1.56	\$ 30,674	Avalon at Sunset Towers	San Francisco, CA	97.9%	98.5%	97.8%	1,486	
2.03	\$ 28,101	Avalon at Nob Hill (formerly City Heights)	San Francisco, CA	99.5%	97.3%	96.7%	1,539	2.54
	\$ 27,417	Avalon at Diamond Heights (formerly Village Square)	San Francisco, CA	98.7%	98.9%	98.5%	1,501	
1.86	\$ 24,168	Avalon Towers by the Bay	San Francisco, CA	97.8%	97.5%	67.7% (3)	3,169	
2.87	\$ 66,822	Crossbrook	Rohnert Park, CA	99.1%	97.1%	97.7% (2)	977	
1.31	\$ 19,077	Avalon at Cedar Ridge	Daly City, CA	97.4%	97.8%	96.4%	1,470	
1.98	\$ 25,518	Avalon Foster City (formerly Regatta Bay)	Foster City, CA	91.0%	94.8%	92.7%	1,457	
1.79	\$ 41,052	Avalon Pacifica (formerly Sea Ridge)	Pacifica, CA	99.1%	98.3%	97.5%	1,450	
1.68	\$ 31,073							
		San Jose, CA						
		Avalon Silicon Valley (formerly Toscana)	Sunnyvale, CA	97.8%	97.9%	94.9%	2,157	
2.28	\$120,414	Avalon at Blossom Hill (formerly Carriage Square)	San Jose, CA	100.0%	98.1%	94.9%	1,654	
1.63	\$ 60,708	Avalon Campbell (formerly Canyon Creek)	Campbell, CA	98.3%	97.0%	96.4% (2)	1,608	
1.66	\$ 59,898	CountryBrook	San Jose, CA	99.7%	97.4%	96.2%	1,412	
1.53	\$ 47,707	Avalon at Pruneyard (formerly The Arbors)	Campbell, CA	96.8%	97.5%	91.3%	1,360	1.70
	\$ 31,701	Avalon at Creekside	Mountain View, CA	98.3%	89.9% (2)	91.6% (2)	1,551	
1.90 (2)	\$ 42,809	Avalon at River Oaks (formerly The Fountains at River Oaks)	San Jose, CA	100.0%	98.4%	97.1%	1,805	
1.91	\$ 45,900	Avalon at Parkside (formerly Parkside Commons)	Sunnyvale, CA	99.0%	98.1%	96.7%	1,820	1.72
	\$ 37,679							
		San Marino	San Jose, CA	96.8%	97.7%	96.6%	1,374	
1.59	\$ 33,560	Avalon Sunnyvale (formerly The Promenade)	Sunnyvale, CA	97.3%	98.5%	97.7%	1,459	
1.98	\$ 34,430	Avalon at Foxchase	San Jose, CA	96.9%	97.5%	96.8%	1,322	
1.52	\$ 58,017	Fairway Glen	San Jose, CA	98.6%	98.5%	96.8%	1,263	
1.50	\$ 17,059	Avalon Cupertino (formerly Centermark)	Cupertino, CA	98.1%	98.3%	88.7% (3)	2,014	
2.10	\$ 49,111	Avalon on the Alameda	San Jose, CA	97.7%	96.6%	57.8% (3)	2,026	
1.99	\$ 56,332	Avalon Rosewalk	San Jose, CA	99.3%	98.4%	95.6%	1,665	
1.65	\$ 56,309	Avalon Rosewalk II	San Jose, CA	99.3%	97.3%	76.8% (3)	1,689	
1.68	\$ 21,768							

</TABLE>

Profile of Current and Development Communities  
(Dollars in thousands, except per apartment home data)

<TABLE>  
<CAPTION>

of	Average	Number of	Approx. rentable area	Year
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Completion/ Acquisition	size (Sq. Ft.)	City and state	homes	(Sq. Ft.)	Acres	--
<S>		<C>	<C>	<C>	<C>	<C>
<C>						
SOUTHERN CALIFORNIA						
Los Angeles, CA						
1989/97	894	Avalon Woodland Hills (formerly ViewPointe)	Woodland Hills, CA	663	592,722	18.2
1969/97	709	Avalon at Media Center (formerly Lakeside)	Burbank, CA	748	530,114	14.7
1966/97	632	Avalon Westside Terrace	Los Angeles, CA	363	229,296	4.8
1970/97	770	Arbor Heights	Hacienda Heights, CA	351	270,129	20.0
1979/98	844	Avalon at Warner Center (formerly Avalon at Warner Oaks)	Woodland Hills, CA	227	191,645	6.8
1972/97	909	TimberWood	West Covina, CA	209	190,075	8.4
Orange County, CA						
1972/97	883	Avalon Huntington Beach (formerly SunScape)	Huntington Beach, CA	400	353,192	16.4
1971/97	882	Avalon at Pacific Bay	Huntington Beach, CA	304	268,000	9.7
1973/96	810	Avalon at South Coast (formerly Mill Creek)	Costa Mesa, CA	258	208,890	8.9
1990/97	763	Avalon Santa Margarita (formerly Villa Serena)	Rancho Santa Margarita, CA	301	229,593	20.0
1983/98	756	Amberway	Anaheim, CA	272	205,572	9.9
1988/98	993	Avalon at Laguna Niguel (formerly Laguna Brisas)	Laguna Niguel, CA	176	174,848	10.0
1956/96	832	Avalon Newport (formerly Lafayette Place)	Costa Mesa, CA	145	120,690	6.6
1984/96	751	Avalon Mission Viejo (formerly Larkspur Canyon)	Mission Viejo, CA	166	124,600	7.8
San Diego, CA						
1969/97	713	Avalon at Mission Bay	San Diego, CA	564	402,327	5.7
1973/98	765	Avalon at Cortez Hill (formerly Gateway Tower)	San Diego, CA	294	224,840	1.2
1960/97	1,041	Avalon at Mission Ridge (formerly Mission Woods)	San Diego, CA	200	208,100	4.0
1982/97	802	Avalon at Penasquitos Hills (formerly SummerWalk)	San Diego, CA	176	141,120	8.8
PACIFIC NORTHWEST						
Portland, OR						
1990/97	937	Avalon at Waterhouse Place	Beaverton, OR	279	261,464	12.0
2000	1,180	Avalon Palladia	Hillsboro, OR	497	586,405	22.6
Seattle, WA						
1998	1,092	Avalon at Bear Creek (formerly The Verandas at Bear Creek)	Redmond, WA	264	288,250	22.0
1991/97	928	Avalon Redmond Place (formerly Gallery Place)	Redmond, WA	222	206,004	22.0
1987/88	908	Avalon Greenbriar (formerly Avalon Ridge)	Renton, WA	421	382,382	20.0
2000	1,169	Avalon RockMeadow	Mill Creek, WA	206	240,817	11.5
2000	1,026	Avalon ParcSquare	Redmond, WA	124	127,236	1.9
2000	1,107	Avalon WildReed	Everett, WA	234	259,080	22.3
2000	1,081	Avalon HighGrove	Everett, WA	391	422,482	19.8
NORTHEAST						
Boston, MA						
1968/98	958	Avalon at Prudential Center	Boston, MA	781	747,954	1.0
1993	1,017	Longwood Towers	Brookline, MA	334	339,718	4.7
1996	832	Avalon Summit	Quincy, MA	245	203,848	9.1
1994	1,168	Avalon at Lexington	Lexington, MA	198	231,182	18.0

Avalon at Faxon Park	Quincy, MA	171	175,494	8.3
1998 1,026				
Avalon West	Westborough, MA	120	147,472	10.1
1996 1,229				
Avalon Oaks	Wilmington, MA	204	229,748	22.5
1999 1,023				
Avalon Essex	Peabody, MA	154	173,520	11.1
2000 1,127				
Avalon at Center Place	Providence, RI	225	231,671	1.2
1997 1,030				

<CAPTION>

Rental		Average				
		Physical	Average Economic		Rate	
		occupancy	Occupancy		-----	
per reporting	City and state	at 12/31/00	2000	1999	\$ per Apt (1)	\$ Sq.
Ft. cost (4)						
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>	<C>					
SOUTHERN CALIFORNIA						
Los Angeles, CA						
Avalon Woodland Hills						
(formerly ViewPointe)						
1.21	\$ 71,142	Woodland Hills, CA	97.4%	96.1%	94.4% (2)	1,129
Avalon at Media Center						
(formerly Lakeside)						
1.14 (2)	\$ 63,836	Burbank, CA	86.0%	89.4% (2)	95.8%	904
Avalon Westside Terrace						
1.58	\$ 37,063	Los Angeles, CA	92.8%	92.4%	85.8% (2)	1,081
Arbor Heights						
1.11	\$ 29,463	Hacienda Heights, CA	96.3%	96.2%	80.0% (2)	891
Avalon at Warner Center						
(formerly Avalon at Warner Oaks)						
1.37	\$ 26,295	Woodland Hills, CA	99.6%	97.8%	92.4% (2)	1,186
TimberWood						
1.11	\$ 14,736	West Covina, CA	95.7%	96.6%	96.2%	1,045
Orange County, CA						
Avalon Huntington Beach						
(formerly SunScape)						
1.24	\$ 37,017	Huntington Beach, CA	96.0%	96.1%	95.0%	1,135
Avalon at Pacific Bay						
1.20	\$ 31,909	Huntington Beach, CA	97.7%	96.7%	82.3% (2)	1,091
Avalon at South Coast						
(formerly Mill Creek)						
1.27	\$ 24,218	Costa Mesa, CA	96.9%	96.2%	93.8%	1,070
Avalon Santa Margarita						
(formerly Villa Serena)						
1.30	\$ 23,560	Rancho Santa Margarita, CA	96.0%	97.3%	97.2%	1,021
Amberway						
1.12	\$ 21,250	Anaheim, CA	92.7%	95.5%	89.1% (2)	887
Avalon at Laguna Niguel						
(formerly Laguna Brisas)						
1.02 (2)	\$ 20,958	Laguna Niguel, CA	97.2%	95.9% (2)	95.4% (2)	1,051
Avalon Newport						
(formerly Lafayette Place)						
1.43	\$ 10,088	Costa Mesa, CA	100.0%	97.2%	94.3%	1,225
Avalon Mission Viejo						
(formerly Larkspur Canyon)						
1.30	\$ 12,853	Mission Viejo, CA	97.6%	97.1%	94.7%	1,006
San Diego, CA						
Avalon at Mission Bay						
1.44 (2)	\$ 65,462	San Diego, CA	95.4%	94.2% (2)	84.8% (2)	1,088
Avalon at Cortez Hill						
(formerly Gateway Tower)						
1.04 (2)	\$ 29,523	San Diego, CA	74.0%	80.9% (2)	97.3%	982
Avalon at Mission Ridge						
(formerly Mission Woods)						
1.16	\$ 21,545	San Diego, CA	97.5%	98.0%	98.2%	1,235
Avalon at Penasquitos Hills						
(formerly SummerWalk)						
1.17	\$ 14,148	San Diego, CA	99.4%	97.6%	97.2%	966
PACIFIC NORTHWEST						
Portland, OR						
Avalon at Waterhouse Place						
0.79 (2)	\$ 20,664	Beaverton, OR	98.9%	96.7%	88.2% (2)	767
Avalon Palladia						
		Hillsboro, OR	94.4%	94.3% (3)	N/A	1,002

0.80 (3) \$ 46,653

Seattle, WA					
Avalon at Bear Creek (formerly The Verandas at Bear Creek)	Redmond, WA	95.5%	95.5%	88.5%	1,249
1.09 \$ 34,382					
Avalon Redmond Place (formerly Gallery Place)	Redmond, WA	98.7%	96.4%	91.4% (2)	1,129
1.17 \$ 25,962					
Avalon Greenbriar (formerly Avalon Ridge)	Renton, WA	92.0%	87.9% (2)	86.9% (2)	750
0.73 (2) \$ 35,772					
Avalon RockMeadow	Mill Creek, WA	96.1%	94.4% (3)	N/A	1,178
0.95 (3) \$ 24,458					
Avalon ParcSquare	Redmond, WA	97.6%	96.9% (3)	N/A	1,434
1.35 (3) \$ 18,932					
Avalon WildReed	Everett, WA	97.0%	99.9% (3)	N/A	907
0.82 (3) \$ 22,950					
Avalon HighGrove	Everett, WA	96.4%	94.5% (3)	N/A	978
0.86 (3) \$ 39,605					

NORTHEAST

Boston, MA					
Avalon at Prudential Center	Boston, MA	96.1%	98.1% (2)	98.4%	2,232
2.29 (2) \$134,369					
Longwood Towers	Brookline, MA	98.2%	96.6%	98.3%	1,864
1.77 \$ 42,059					
Avalon Summit	Quincy, MA	99.6%	98.3%	96.3%	1,166
1.38 \$ 16,469					
Avalon at Lexington	Lexington, MA	99.5%	98.5%	96.5%	1,769
1.49 \$ 15,129					
Avalon at Faxon Park	Quincy, MA	98.8%	98.0%	96.5%	1,634
1.56 \$ 15,155					
Avalon West	Westborough, MA	98.3%	97.9%	96.7%	1,567
1.25 \$ 10,824					
Avalon Oaks	Wilmington, MA	98.0%	98.3%	64.5% (3)	1,516
1.32 \$ 21,147					
Avalon Essex	Peabody, MA	96.8%	69.8% (3)	N/A	1,814
1.12 (3) \$ 21,205					
Avalon at Center Place	Providence, RI	97.0%	97.2%	96.1%	1,916
1.81 \$ 27,073					

</TABLE>

Profile of Current and Development Communities  
(Dollars in thousands, except per apartment home data)

<TABLE>  
<CAPTION>

of	Average		Approx.	Year
Completion/	size	City and state	rentable	
Acquisition	(Sq. Ft.)		area	
			(Sq. Ft.)	Acres
-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>
<C>				
Fairfield-New Haven, CT				
Avalon Walk I & II		Hamden, CT	764	761,441
1992/94 996				38.4
Avalon Glen		Stamford, CT	238	221,828
1991 932				4.1
Avalon Gates		Trumbull, CT	340	381,322
1997 1,122				37.0
Avalon Springs		Wilton, CT	102	158,259
1996 1,552				12.0
Avalon Valley		Danbury, CT	268	297,479
1999 1,070				17.1
Avalon Lake		Danbury, CT	135	166,231
1999 1,184				32.0
Avalon Corners		Stamford, CT	195	192,174
2000 986				3.2
Avalon Haven		North Haven, CT	128	140,107
2000 1,095				10.6
Hartford, CT				
Avalon Pavilions		Manchester, CT	932	849,680
1990/92 912				46.3
Long Island, NY				

Avalon Commons		Smithtown, NY	312	363,049	20.6
1997	1,164				
Avalon Towers		Long Beach, NY	109	124,836	1.3
1995	1,145				
Avalon Court		Melville, NY	154	193,464	10.8
1997	1,256				
Avalon Court North		Melville, NY	340	403,640	24.6
2000	1,187				
Northern New Jersey					
Avalon Cove		Jersey City, NJ	504	574,675	11.1
1997	1,140				
The Tower at Avalon Cove		Jersey City, NJ	269	241,825	2.8
1999	905				
Avalon Crest		Fort Lee, NJ	351	371,411	13.1
1998	1,058				
Central New Jersey					
Avalon Watch		West Windsor, NJ	512	485,871	64.0
1999	949				
Avalon Run East		Lawrenceville, NJ	206	265,198	27.0
1996	1,287				
New York, NY					
Avalon Gardens		Nanuet, NY	504	638,439	55.0
1998	1,267				
Avalon View		Wappingers Falls, NY	288	335,088	41.0
1993	1,164				
Avalon Green		Elmsford, NY	105	113,538	16.9
1995	1,081				
The Avalon		Bronxville, NY	110	119,186	1.5
1999	1,085				
Avalon Willow		Mamaroneck, NY	227	199,945	4.0
2000	881				
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II		Columbia, MD	720	724,253	42.1
1987/96	1,005				
Avalon at Symphony Glen		Columbia, MD	174	179,867	10.0
1986	1,034				
Avalon Landing		Annapolis, MD	158	117,033	13.8
1995	741				
Washington, DC					
Avalon at Ballston - Vermont & Quincy Towers		Arlington, VA	454	420,242	2.3
1997	926				
Avalon Crescent		McLean, VA	558	613,426	19.1
1996	1,099				
Avalon at Ballston - Washington Towers		Arlington, VA	344	294,786	4.1
1990	857				
Avalon at Cameron Court		Alexandria, VA	460	467,292	16.0
1998	1,016				
AutumnWoods		Fairfax, VA	420	355,228	24.2
1996	846				
Avalon at Fair Lakes		Fairfax, VA	234	285,822	10.0
1998	1,221				
Avalon at Dulles		Sterling, VA	236	232,632	15.7
1986	986				
Avalon at Providence Park		Fairfax, VA	141	148,211	4.0
1997	1,051				
Avalon at Fox Mill		Herndon, VA	165	219,360	12.8
2000	1,329				
Avalon at Decoverly		Rockville, MD	368	368,446	25.0
1995	1,001				

<CAPTION>

Financial reporting cost (4)	City and state	Physical occupancy at 12/31/00	Average Economic Occupancy		Average Rental Rate	
			2000	1999	\$ per Apt (1)	\$ per Sq. Ft.
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
Fairfield-New Haven, CT						
Avalon Walk I & II	Hamden, CT	99.4%	97.9%	97.3%	1,158	1.14
\$ 58,800						
Avalon Glen	Stamford, CT	97.5%	97.4%	96.0%	1,818	1.90

\$ 30,910	Avalon Gates	Trumbull, CT	99.1%	98.4%	96.8%	1,449	1.27
\$ 35,931	Avalon Springs	Wilton, CT	100.0%	99.1%	99.2%	2,507	1.60
\$ 16,650	Avalon Valley	Danbury, CT	100.0%	99.0%	58.2% (3)	1,430	1.27
\$ 25,408	Avalon Lake	Danbury, CT	98.5%	99.2%	60.3% (3)	1,550	1.25
\$ 16,832	Avalon Corners	Stamford, CT	99.5%	92.9% (3)	N/A	2,060	1.94 (3)
\$ 31,356	Avalon Haven	North Haven, CT	100.0%	71.8% (3)	N/A	1,500	0.98 (3)
\$ 13,490							
	Hartford, CT						
\$ 57,619	Avalon Pavilions	Manchester, CT	97.1%	97.5%	97.0%	967	1.03
	Long Island, NY						
\$ 33,308	Avalon Commons	Smithtown, NY	99.7%	98.8%	98.1%	1,623	1.38
\$ 16,624	Avalon Towers	Long Beach, NY	99.1%	98.8%	98.5%	2,559	2.21
\$ 18,954	Avalon Court	Melville, NY	99.6%	99.1%	98.2%	1,873	1.48
\$ 40,185	Avalon Court North	Melville, NY	99.6%	96.6% (3)	N/A	1,934	1.57 (3)
	Northern New Jersey						
\$ 91,299	Avalon Cove	Jersey City, NJ	99.6%	98.0%	95.3%	2,553	2.20
\$ 49,503	The Tower at Avalon Cove	Jersey City, NJ	99.6%	98.6%	58.4% (3)	2,349	2.58
\$ 55,503	Avalon Crest	Fort Lee, NJ	98.3%	96.9%	41.9% (3)	2,148	1.97
	Central New Jersey						
\$ 29,131	Avalon Watch	West Windsor, NJ	98.6%	97.9%	97.7%	1,207	1.25
\$ 16,248	Avalon Run East	Lawrenceville, NJ	98.1%	98.3%	98.0%	1,515	1.16
	New York, NY						
\$ 54,171	Avalon Gardens	Nanuet, NY	95.6%	97.1%	98.5%	1,767	1.36
\$ 18,044	Avalon View	Wappingers Falls, NY	97.2%	98.2%	98.7%	1,160	0.98
\$ 12,562	Avalon Green	Elmsford, NY	97.1%	98.8%	99.3%	2,221	2.03
\$ 31,162	The Avalon	Bronxville, NY	100.0%	98.4%	63.3% (3)	2,995	2.72
\$ 46,059	Avalon Willow	Mamaroneck, NY	96.5%	86.2% (3)	N/A	2,188	2.14 (3)
	MID-ATLANTIC						
	Baltimore, MD						
\$ 44,099	Avalon at Fairway Hills I & II	Columbia, MD	98.7%	98.0%	97.5%	972	0.95
\$ 8,848	Avalon at Symphony Glen	Columbia, MD	96.6%	97.7%	97.3%	983	0.93
\$ 9,542	Avalon Landing	Annapolis, MD	100.0%	97.9%	97.5%	906	1.20
	Washington, DC						
\$ 46,878	Avalon at Ballston - Vermont & Quincy Towers	Arlington, VA	94.9%	97.5%	97.5%	1,286	1.35
\$ 57,252	Avalon Crescent	McLean, VA	97.0%	98.2%	97.3%	1,561	1.39
\$ 37,100	Avalon at Ballston - Washington Towers	Arlington, VA	95.9%	97.6%	97.7%	1,290	1.47
\$ 43,223	Avalon at Cameron Court	Alexandria, VA	96.5%	97.2%	97.4%	1,453	1.39
\$ 30,806	AutumnWoods	Fairfax, VA	96.9%	97.7%	98.0%	1,060	1.22
\$ 23,461	Avalon at Fair Lakes	Fairfax, VA	97.0%	97.6%	97.0%	1,388	1.11
\$ 11,771	Avalon at Dulles	Sterling, VA	97.5%	98.5%	98.2%	1,031	1.03
\$ 11,243	Avalon at Providence Park	Fairfax, VA	97.2%	98.2%	98.1%	1,141	1.07
\$ 19,391	Avalon at Fox Mill	Herndon, VA	98.2%	98.0% (3)	N/A	1,591	1.17 (3)
	Avalon at Decoverly	Rockville, MD	98.1%	97.6%	96.2%	1,183	1.15



Profile of Current and Development Communities  
(Dollars in thousands, except per apartment home data)

<TABLE>  
<CAPTION>

of	Average		Number of	Approx. rentable area	Year
Completion/ Acquisition	size (Sq. Ft.)	City and state	homes	(Sq. Ft.) Acres	
-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>
<C>					
Washington, DC - continued					
Avalon Knoll		Germantown, MD	300	290,365	26.7
1985	968				
Avalon Fields I & II		Gaithersburg, MD	288	292,282	9.2
1998	1,050				
Avalon Crossing		Rockville, MD	132	147,690	5.0
1996	1,119				
4100 Massachusetts Avenue		Washington, D.C.	308	298,725	2.7
1982	970				
MIDWEST					
Chicago, IL					
Avalon at Danada Farms		Wheaton, IL	295	350,606	19.2
1997	1,188				
Avalon at West Grove		Westmont, IL	400	388,500	17.4
1967	971				
Avalon at Stratford Green		Bloomington, IL	192	237,204	12.7
1997	1,235				
200 Arlington Place		Arlington Heights, IL	409	346,832	2.8
1987/00	848				
Minneapolis, MN					
Avalon at Devonshire		Bloomington, MN	498	470,762	42.0
1988	945				
Avalon at Edinburgh		Brooklyn Park, MN	198	222,130	11.3
1992	1,122				
Avalon at Town Centre		Eagan, MN	248	235,518	18.7
1986	950				
Avalon at Town Square		Plymouth, MN	160	144,026	8.3
1986	900				
Avalon at Woodbury		Woodbury, MN	224	287,975	15.0
1999	1,286				
DEVELOPMENT COMMUNITIES					
Avalon at Florham Park		Florham Park, NJ	270	331,560	41.9
N/A	1,228				
Avalon at Edgewater		Edgewater, NJ	408	405,144	7.1
N/A	993				
Avalon Bellevue		Bellevue, WA	202	164,226	1.7
N/A	813				
Avalon at Arlington Square I		Arlington, VA	510	583,950	14.2
N/A	1,145				
Avalon on the Sound		New Rochelle, NY	412	372,860	2.4
N/A	905				
Avalon Estates		Hull, MA	162	188,392	55.0
N/A	1,163				
Avalon Harbor		Stamford, CT	323	336,566	12.1
N/A	1,042				
Avalon at Freehold		Freehold, NJ	296	317,608	42.3
N/A	1,073				
Avalon at Belltown		Seattle, WA	100	80,200	0.7
N/A	802				
Avalon Towers on the Peninsula		Mountain View, CA	211	218,392	1.9
N/A	1,035				
Avalon at Cahill Park		San Jose, CA	218	218,245	3.8
N/A	1,001				
Avalon Riverview I		Long Island City, NY	372	332,940	1.0
N/A	895				

<CAPTION>

Financial reporting cost (4)	City and state	Physical	Average Economic Occupancy		Rate	
		occupancy	-----	-----	\$ per	\$ per
		at 12/31/00	2000	1999	Apt (1)	Sq. Ft.
-----	-----	-----	----	----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Washington, DC - continued						
Avalon Knoll	Germantown, MD	99.3%	97.2%	96.5%	941	0.94
\$ 8,265						
Avalon Fields I & II	Gaithersburg, MD	97.5%	97.2%	97.2%	1,181	1.13
\$ 22,663						
Avalon Crossing	Rockville, MD	98.5%	97.8%	97.2%	1,583	1.38
\$ 13,890						
4100 Massachusetts Avenue	Washington, D.C.	98.7%	97.7%	96.9%	1,617	1.63
\$ 35,528						
MIDWEST						
Chicago, IL						
Avalon at Danada Farms	Wheaton, IL	96.6%	96.1%	93.8%	1,392	1.13
\$ 38,169						
Avalon at West Grove	Westmont, IL	99.0%	97.3%	91.1% (2)	887	0.89
\$ 29,393						
Avalon at Stratford Green	Bloomington, IL	99.0%	97.1%	97.4%	1,356	1.07
\$ 21,931						
200 Arlington Place	Arlington Heights, IL	97.1%	97.6% (3)	N/A	1,255	1.45
\$ 49,255						
Minneapolis, MN						
Avalon at Devonshire	Bloomington, MN	97.0%	96.3%	97.2%	969	0.99
\$ 37,173						
Avalon at Edinburgh	Brooklyn Park, MN	98.0%	94.2%	96.2%	1,103	0.93
\$ 18,457						
Avalon at Town Centre	Eagan, MN	99.2%	98.4%	97.8%	962	1.00
\$ 17,983						
Avalon at Town Square	Plymouth, MN	97.5%	96.4%	98.5%	983	1.05
\$ 10,835						
Avalon at Woodbury	Woodbury, MN	96.9%	95.6%	84.6% (3)	1,196	0.89
\$ 25,948						
DEVELOPMENT COMMUNITIES						
Avalon at Florham Park	Florham Park, NJ	N/A	N/A	N/A	N/A	N/A
\$ 37,024						
Avalon at Edgewater	Edgewater, NJ	N/A	N/A	N/A	N/A	N/A
\$ 40,968						
Avalon Bellevue	Bellevue, WA	N/A	N/A	N/A	N/A	N/A
\$ 26,694						
Avalon at Arlington Square I	Arlington, VA	N/A	N/A	N/A	N/A	N/A
\$ 40,869						
Avalon on the Sound	New Rochelle, NY	N/A	N/A	N/A	N/A	N/A
\$ 61,505						
Avalon Estates	Hull, MA	N/A	N/A	N/A	N/A	N/A
\$ 18,714						
Avalon Harbor	Stamford, CT	N/A	N/A	N/A	N/A	N/A
\$ 15,327						
Avalon at Freehold	Freehold, NJ	N/A	N/A	N/A	N/A	N/A
\$ 12,105						
Avalon at Belltown	Seattle, WA	N/A	N/A	N/A	N/A	N/A
\$ 8,799						
Avalon Towers on the Peninsula	Mountain View, CA	N/A	N/A	N/A	N/A	N/A
\$ 20,407						
Avalon at Cahill Park	San Jose, CA	N/A	N/A	N/A	N/A	N/A
\$ 11,902						
Avalon Riverview I	Long Island City, NY	N/A	N/A	N/A	N/A	N/A
\$ 8,133						

(1) For the purpose of this table, Current Communities include only communities for which we held fee simple ownership interests or which we held through DownREIT partnerships.

(2) Represents community which was under redevelopment during the year, resulting in lower average economic occupancy and average rental rate per square foot for the year.

(3) Represents community that completed development or was purchased during the year, which could result in lower average economic occupancy and average rental rate per square foot for the year.

(4) Represents the average rental revenue per occupied apartment home.

(5) Costs are presented in accordance with generally accepted accounting principles. For current Development Communities, cost represents total costs incurred through December 31, 2000.

Profile of Current and Development Communities  
(Dollars in thousands, except per apartment home data)

<TABLE>  
<CAPTION>

Other	Total	1 BR		2BR		3BR		Studios / efficiencies
		1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA		
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>	<C>							
CURRENT COMMUNITIES (1)								
NORTHERN CALIFORNIA								
Oakland-East Bay, CA								
	Waterford	208	--	336	--	--	--	--
--	544							
	Hampton Place	88	--	176	--	44	--	--
--	308							
	Avalon Fremont	42	81	--	--	12	--	--
--	135							
	Avalon Pleasanton	238	--	218	--	--	--	--
--	456							
	Avalon Dublin	72	8	60	48	--	--	--
16	204							
	Avalon Willow Creek	99	--	136	--	--	--	--
--	235							
	Avalon at Union Square	124	84	--	--	--	--	--
--	208							
San Francisco, CA								
	Crown Ridge	158	68	24	--	--	--	4
--	254							
	Avalon at Sunset Towers	183	20	20	--	--	--	20
--	243							
	Avalon at Nob Hill	114	--	25	--	--	--	46
--	185							
	Avalon at Diamond Heights	90	--	49	15	--	--	--
--	154							
	Avalon Towers by the Bay	103	--	120	--	3	--	--
--	226							
	Crossbrook	88	30	108	--	--	--	--
--	226							
	Avalon at Cedar Ridge	117	33	24	--	--	--	21
--	195							
	Avalon Foster City	124	123	1	--	--	--	40
--	288							
	Avalon Pacifica	58	106	56	--	--	--	--
--	220							
San Jose, CA								
	Avalon Silicon Valley	338	--	336	18	15	--	3
--	710							
	Avalon at Blossom Hill	90	--	210	--	24	--	--
--	324							
	Avalon Campbell	156	--	180	--	12	--	--
--	348							
	CountryBrook	108	--	252	--	--	--	--
--	360							
	Avalon at Pruneyard	212	40	--	--	--	--	--
--	252							
	Avalon at Creekside	158	128	--	--	--	--	8
--	294							
	Avalon at River Oaks	100	--	126	--	--	--	--
--	226							
	Avalon at Parkside	60	--	96	36	--	--	--
--	192							
	San Marino	103	--	145	--	--	--	--
--	248							
	Avalon Sunnyvale	112	10	54	--	--	--	44
--	220							
	Avalon at Foxchase	168	--	228	--	--	--	--
--	396							

Fairway Glen	60	--	84	--	--	--
-- 144						
Avalon Cupertino	145	--	152	--	14	--
-- 311						
Avalon on the Alameda	113	--	164	--	28	--
-- 305						
Avalon Rosewalk	96	--	192	--	12	--
-- 300						
Avalon Rosewalk II	72	--	72	--	12	--
-- 156						

<CAPTION>

Large Balcony,		Washer &			
storage patio,		dryer			
walk-in deck or	Parking	hook-ups or	Vaulted		or
closet sunroom	spaces	units	ceilings	Lofts	Fireplaces

-----

<S> <C> <C> <C> <C> <C>

CURRENT COMMUNITIES (1)

NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford	876	Some	Some	None	None
All All					
Hampton Place	570	All	Most	None	Half
Most All					
Avalon Fremont	260	All	Some	None	Some
All All					
Avalon Pleasanton	856	All	Some	None	Most
All All					
Avalon Dublin	427	Most	Some	None	Most
All All					
Avalon Willow Creek	240	All	None	None	None
All All					
Avalon at Union Square	210	None	None	None	Most
All All					
San Francisco, CA					
Crown Ridge	377	Some	Some	None	Some
None All					
Avalon at Sunset Towers	244	None	None	None	None
None Some					
Avalon at Nob Hill	104	None	None	None	None
None Some					
Avalon at Diamond Heights	155	None	Some	None	None
All All					
Avalon Towers by the Bay	235	All	Some	None	Some
Half Most					
Crossbrook	343	None	Half	None	Some
None All					
Avalon at Cedar Ridge	258	None	None	Some	None
Some All					
Avalon Foster City	490	None	None	None	None
Most Most					
Avalon Pacifica	299	None	None	None	Some
Some All					
San Jose, CA					
Avalon Silicon Valley	1,400	All	Some	Some	Some
Most All					
Avalon at Blossom Hill	562	All	Some	None	None
Most All					
Avalon Campbell	588	All	Some	None	None
All All					
CountryBrook	694	All	Some	None	All
None All					
Avalon at Pruneyard	395	All	None	None	None
None Half					
Avalon at Creekside	376	None	None	None	Some
None Most					
Avalon at River Oaks	354	All	None	None	Most
All All					
Avalon at Parkside	192	All	Some	None	Half
All All					
San Marino	436	All	Some	None	None
Most All					
Avalon Sunnyvale	394	Some	None	None	None
All All					
Avalon at Foxchase	719	All	Some	None	None

Some	All					
Fairway Glen		226	All	Some	None	None
None	All					
Avalon Cupertino		526	All	Some	None	Some
Some	All					
Avalon on the Alameda		558	All	Some	None	Some
All	All					
Avalon Rosewalk		420	All	Some	None	Some
Some	All					
Avalon Rosewalk II		228	All	Some	None	Some
Most	All					

<CAPTION>

	Built-in bookcases	Carports	Non- direct access garages	Direct access garages	Homes w/ pre-wired security systems
<S>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (1)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford	None	Yes	No	No	None
Hampton Place	None	Yes	Yes	No	All
Avalon Fremont	None	Yes	No	No	All
Avalon Pleasanton	None	Yes	Yes	Yes	None
Avalon Dublin	None	No	Yes	No	None
Avalon Willow Creek	None	Yes	No	No	None
Avalon at Union Square	None	Yes	No	No	None
San Francisco, CA					
Crown Ridge	None	Yes	No	Yes	None
Avalon at Sunset Towers	None	No	No	Yes	None
Avalon at Nob Hill	Most	No	Yes	No	None
Avalon at Diamond Heights	None	No	Yes	No	None
Avalon Towers by the Bay	None	No	No	Yes	All
Crossbrook	None	Yes	No	Yes	None
Avalon at Cedar Ridge	None	Yes	No	Yes	None
Avalon Foster City	None	Yes	No	No	None
Avalon Pacifica	None	Yes	Yes	No	None
San Jose, CA					
Avalon Silicon Valley	Some	No	Yes	No	None
Avalon at Blossom Hill	None	Yes	Yes	No	All
Avalon Campbell	None	Yes	Yes	No	All
CountryBrook	None	Yes	Yes	No	None
Avalon at Pruneyard	None	Yes	Yes	No	None
Avalon at Creekside	None	Yes	No	No	None
Avalon at River Oaks	None	No	No	Yes	None
Avalon at Parkside	Some	Yes	Yes	No	None
San Marino	None	Yes	No	No	None
Avalon Sunnyvale	None	No	No	Yes	None
Avalon at Foxchase	None	Yes	No	No	None
Fairway Glen	None	Yes	No	No	Some
Avalon Cupertino	Some	No	Yes	No	None
Avalon on the Alameda	Some	No	Yes	No	All
Avalon Rosewalk	Most	Yes	Yes	No	All
Avalon Rosewalk II	Most	Yes	Yes	No	All

Features and Recreational Amenities - Current and Development Communities

<TABLE>  
<CAPTION>

Other	Total	1 BR		2BR		3BR		Studios / efficiencies
		1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA								
Los Angeles, CA								
Avalon Woodland Hills	222	--	441	--	--	--	--	--
663								
Avalon at Media Center	296	102	117	12	--	221		
748								
Avalon Westside Terrace	126	--	102	--	--	135		

--	363						
	Arbor Heights	212	--	135	2	--	2
--	351						
	Avalon at Warner Center	88	54	65	20	--	--
--	227						
	TimberWood	32	50	63	64	--	--
--	209						
Orange County, CA							
	Avalon Huntington Beach	--	36	324	40	--	--
--	400						
	Avalon at Pacific Bay	144	56	104	--	--	--
--	304						
	Avalon at South Coast	124	--	86	--	--	48
258	403						
	Avalon Santa Margarita	160	--	141	--	--	--
--	301						
	Amberway	114	48	48	--	--	62
--	272						
	Avalon at Laguna Niguel	--	--	176	--	--	--
--	176						
	Avalon Newport	44	54	--	35	--	12
--	145						
	Avalon Mission Viejo	94	28	44	--	--	--
--	166						
San Diego, CA							
	Avalon at Mission Bay	270	9	165	--	--	120
--	564						
	Avalon at Cortez Hill	114	--	83	--	--	97
--	294						
	Avalon at Mission Ridge	18	1	98	83	--	--
--	200						
	Avalon at Penasquitos Hills	48	48	80	--	--	--
--	176						
PACIFIC NORTHWEST							
Portland, OR							
	Avalon at Waterhouse Place	99	38	138	4	--	--
--	279						
	Avalon Palladia	76	132	213	24	40	--
12	497						
Seattle, WA							
	Avalon at Bear Creek	55	40	110	59	--	--
--	264						
	Avalon Redmond Place	76	44	67	35	--	--
--	222						
	Avalon Greenbriar	16	19	217	169	--	--
--	421						
	Avalon RockMeadow	28	48	86	28	16	--
--	206						
	Avalon ParcSquare	31	26	55	5	7	--
--	124						
	Avalon WildReed	36	60	78	60	--	--
--	234						
	Avalon HighGrove	84	119	124	56	8	--
--	391						
NORTHEAST							
Boston, MA							
	Avalon at Prudential Center	361	--	237	--	23	148
12	781						
	Longwood Towers	137	53	22	25	--	78
19	334						
	Avalon Summit	154	61	28	2	--	--
--	245						
	Avalon at Lexington	28	24	90	56	--	--
--	198						
	Avalon at Faxon Park	68	--	75	28	--	--
--	171						
	Avalon West	40	--	55	25	--	--
--	120						
	Avalon Oaks	60	24	96	24	--	--
--	204						
	Avalon Essex	50	--	62	--	--	--
42	154						
	Avalon at Center Place	103	--	111	5	--	6
--	225						

<CAPTION>

Large Balcony,  
storage patio,

Washer &  
dryer

walk-in closet	deck or sunroom	Parking spaces	hook-ups or units	Vaulted ceilings	Lofts	Fireplaces	or
<S>		<C>	<C>	<C>	<C>	<C>	
<C>	<C>						
SOUTHERN CALIFORNIA							
Los Angeles, CA							
Avalon	Woodland Hills	1,300	Some	None	Some	None	
Most	All						
Avalon at	Media Center	838	Some	None	None	Some	
Some	Some						
Avalon	Westside Terrace	487	None	None	None	None	
None	All						
Arbor	Heights	940	All	None	None	None	
None	Half						
Avalon at	Warner Center	252	All	Some	None	Some	
Some	All						
TimberWood		400	Most	Half	None	None	
All	All						
Orange County, CA							
Avalon	Huntington Beach	790	None	None	None	None	
Most	Most						
Avalon at	Pacific Bay	478	All	None	None	None	
Half	All						
Avalon at	South Coast		Some	Half	None	None	
Half	All						
Avalon	Santa Margarita	523	All	None	None	None	
None	All						
Amberway		454	None	Some	None	None	
None	All						
Avalon at	Laguna Niguel	335	None	Some	None	All	
None	Most						
Avalon	Newport	235	Most	Some	None	Some	
Most	Most						
Avalon	Mission Viejo	250	None	None	None	None	
None	All						
San Diego, CA							
Avalon at	Mission Bay	695	None	None	None	None	
Some	All						
Avalon at	Cortez Hill	292	None	None	None	None	
None	All						
Avalon at	Mission Ridge	384	Most	None	None	Most	
Most	Most						
Avalon at	Penasquitos Hills	176	All	None	None	All	
Some	All						
PACIFIC NORTHWEST							
Portland, OR							
Avalon at	Waterhouse Place	445	All	None	None	Most	
Some	All						
Avalon	Palladia	1,060	All	Some	Some	Most	
Some	All						
Seattle, WA							
Avalon at	Bear Creek	470	All	All	None	Most	
All	All						
Avalon	Redmond Place	384	All	Some	None	Most	
All	All						
Avalon	Greenbriar	731	All	Some	None	Most	
All	All						
Avalon	RockMeadow	308	All	Some	None	Most	
Most	All						
Avalon	ParcSquare	196	All	No	None	None	
All	All						
Avalon	WildReed	462	All	Some	None	Most	
Most	All						
Avalon	HighGrove	713	All	Some	None	Most	
Most	All						
NORTHEAST							
Boston, MA							
Avalon at	Prudential Center	142	None	None	None	None	
Most	Some						
Longwood	Towers	210	Some	None	None	Some	
Most	Some						
Avalon	Summit	328	None	None	None	None	
None	All						
Avalon at	Lexington	355	All	Some	Some	Some	
Most	All						
Avalon at	Faxon Park	287	All	Some	Some	Some	





Fairfield-New Haven, CT							
	Avalon Walk I & II	272	116	122	74	--	--
180	764						
	Avalon Glen	124	--	114	--	--	--
--	238						
	Avalon Gates	122	--	168	50	--	--
--	340						
	Avalon Springs	--	--	70	32	--	--
--	102						
	Avalon Valley	106	--	134	28	--	--
--	268						
	Avalon Lake	36	--	46	--	--	24
29	135						
	Avalon Corners	118	--	77	--	--	--
--	195						
	Avalon Haven	44	60	--	24	--	--
--	128						
Hartford, CT							
	Avalon Pavilions	472	168	220	72	--	--
--	932						
Long Island, NY							
	Avalon Commons	128	40	112	32	--	--
--	312						
	Avalon Towers	--	--	37	1	3	1
67	109						
	Avalon Court	34	--	76	44	--	--
--	154						
	Avalon Court North	138	54	118	--	30	--
--	340						
Northern New Jersey							
	Avalon Cove	190	--	190	46	2	--
76	504						
	The Tower at Avalon Cove	147	24	74	24	--	--
--	269						
	Avalon Crest	96	--	131	67	--	--
57	351						
Central New Jersey							
	Avalon Watch	252	36	142	82	--	--
--	512						
	Avalon Run East	64	--	106	36	--	--
--	206						
New York, NY							
	Avalon Gardens	208	48	144	104	--	--
--	504						
	Avalon View	115	47	62	64	--	--
--	288						
	Avalon Green	25	24	56	--	--	--
--	105						
	The Avalon	55	2	43	10	--	--
--	110						
	Avalon Willow	150	77	--	--	--	--
--	227						
MID-ATLANTIC							
Baltimore, MD							
	Avalon at Fairway Hills I & II	283	223	154	60	--	--
--	720						
	Avalon at Symphony Glen	86	14	54	20	--	--
--	174						
	Avalon Landing	65	18	57	--	--	--
18	158						
Washington, DC							
	Avalon at Ballston - Vermont & Quincy Towers	333	37	84	--	--	--
--	454						
	Avalon Crescent	186	26	346	--	--	--
--	558						
	Avalon at Ballston - Washington Towers	205	28	111	--	--	--
--	344						
	Avalon at Cameron Court	208	--	168	--	--	--
84	460						
	AutumnWoods	220	72	96	--	--	--
32	420						
	Avalon at Fair Lakes	45	12	125	26	26	--
--	234						
	Avalon at Dulles	104	40	76	--	16	--
--	236						
	Avalon at Providence Park	19	--	112	4	--	--
6	141						
	Avalon at Fox Mill	--	--	92	73	--	--

-- 165  
 Avalon at Decoverly 156 -- 104 64 44 --  
 -- 368

<CAPTION>

	Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings	Lofts	Fireplaces or
<S>	<C>	<C>	<C>	<C>	<C>
Large Balcony, storage patio, walk-in deck or closet sunroom					
-----					
Fairfield-New Haven, CT					
Avalon Walk I & II All All	1,528	All	Some	Some	Half
Avalon Glen Half Most	400	Most	Some	Some	Some
Avalon Gates All All	580	All	Some	Some	None
Avalon Springs All All	153	All	Half	Half	Most
Avalon Valley All All	626	All	Some	Some	Some
Avalon Lake All All	382	All	Some	Some	Some
Avalon Corners All All	273	All	Some	Some	Some
Avalon Haven All All	256	All	None	Some	Some
Hartford, CT					
Avalon Pavilions Most All	1,631	All	Some	Some	Some
Long Island, NY					
Avalon Commons All All	538	All	Some	Some	Some
Avalon Towers All Most	198	All	None	None	None
Avalon Court All All	292	All	Some	Some	Some
Avalon Court North All All	818	All	Some	Most	Some
Northern New Jersey					
Avalon Cove All Most	464	All	Some	Some	Some
The Tower at Avalon Cove Half Some	263	All	None	None	None
Avalon Crest All All	364	All	Some	Some	Some
Central New Jersey					
Avalon Watch All All	768	Most	Some	None	Some
Avalon Run East All All	345	All	Some	Some	Some
New York, NY					
Avalon Gardens All Most	1,008	All	Half	Half	Some
Avalon View Most All	576	All	Some	Some	Some
Avalon Green All All	179	All	Some	Half	Some
The Avalon Most Half	167	All	Some	Some	Some
Avalon Willow Most All	379	All	Some	Some	None
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II Some All	1,137	All	Some	None	Some
Avalon at Symphony Glen All All	266	All	Some	None	Most
Avalon Landing Most All	257	All	None	None	Most
Washington, DC					

Avalon at Ballston - Vermont & Quincy Towers	498	All	None	None	None
Most All					
Avalon Crescent	662	All	Some	Some	Half
Most All					
Avalon at Ballston - Washington Towers	415	All	None	None	Some
Most All					
Avalon at Cameron Court	736	All	Some	Some	Some
All Most					
AutumnWoods	727	All	Some	None	Some
All All					
Avalon at Fair Lakes	505	All	Half	None	Half
All Most					
Avalon at Dulles	493	All	Some	None	Some
All All					
Avalon at Providence Park	287	All	None	None	Most
All All					
Avalon at Fox Mill	343	All	Most	None	Most
All All					
Avalon at Decoverly	584	All	Some	Some	Most
Most All					

<CAPTION>

	Built-in bookcases	Carports	Non- direct access garages	Direct access garages	Homes w/ pre-wired security systems
<S>	<C>	<C>	<C>	<C>	<C>
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Fairfield-New Haven, CT					
Avalon Walk I & II	Some	Yes	No	No	Half
Avalon Glen	None	Yes	Yes	No	Most
Avalon Gates	None	Yes	Yes	No	All
Avalon Springs	None	No	No	Yes	All
Avalon Valley	None	Yes	Yes	No	All
Avalon Lake	None	No	Yes	No	All
Avalon Corners	None	No	Yes	No	All
Avalon Haven	None	Yes	Yes	No	All
Hartford, CT					
Avalon Pavilions	None	Yes	No	No	None
Long Island, NY					
Avalon Commons	None	No	Yes	No	All
Avalon Towers	None	No	No	Yes	All
Avalon Court	None	No	No	Yes	All
Avalon Court North	None	No	Yes	Yes	All
Northern New Jersey					
Avalon Cove	None	No	Yes	Some	All
The Tower at Avalon Cove	None	No	Yes	No	All
Avalon Crest	None	No	Yes	Yes	All
Central New Jersey					
Avalon Watch	None	No	Yes	No	None
Avalon Run East	None	Yes	Yes	Yes	All
New York, NY					
Avalon Gardens	None	Yes	Yes	Yes	All
Avalon View	None	Yes	No	No	None
Avalon Green	None	Yes	No	No	All
The Avalon	None	No	Yes	No	All
Avalon Willow	None	No	Yes	Yes	All
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	Some	No	No	No	None
Avalon at Symphony Glen	Half	No	No	No	None
Avalon Landing	None	Yes	No	No	None
Washington, DC					
Avalon at Ballston - Vermont & Quincy Towers	None	No	No	Yes	None
Avalon Crescent	Some	No	Yes	Yes	All
Avalon at Ballston - Washington Towers	None	No	No	Yes	None
Avalon at Cameron Court	None	No	Yes	Yes	All
AutumnWoods	Some	Yes	No	No	None
Avalon at Fair Lakes	None	No	Yes	Yes	None
Avalon at Dulles	Some	No	No	No	None
Avalon at Providence Park	None	No	No	No	None
Avalon at Fox Mill	None	No	No	Yes	All
Avalon at Decoverly	None	No	No	No	None

</TABLE>

Features and Recreational Amenities - Current and Development Communities

<TABLE>  
<CAPTION>

		1 BR	2BR		3BR		Studios / efficiencies
		1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA	
Other	Total						
-----		-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>
<C>	<C>						
Washington, DC - continued							
	Avalon Knoll	136	55	81	28	--	--
--	300						
	Avalon Fields I & II	74	32	84	32	--	--
66	288						
	Avalon Fields I & II	--	27	105	--	--	--
--	132						
	4100 Massachusetts Avenue	160	70	--	3	--	27
48	308						
MIDWEST							
Chicago, IL							
	Avalon at Danada Farms	80	52	134	29	--	--
--	295						
	Avalon at West Grove	200	200	--	--	--	--
--	400						
	Avalon at Stratford Green	45	9	108	21	--	--
9	192						
	200 Arlington Place	142	89	148	--	--	30
--	409						
Minneapolis, MN							
	Avalon at Devonshire	194	--	304	--	--	--
--	498						
	Avalon at Edinburgh	56	--	114	26	--	2
--	198						
	Avalon at Town Centre	104	--	111	33	--	--
--	248						
	Avalon at Town Square	76	--	68	12	--	--
4	160						
	Avalon at Woodbury	41	--	147	36	--	--
--	224						
DEVELOPMENT COMMUNITIES							
	Avalon at Florham Park	46	--	107	117	--	--
--	270						
	Avalon at Edgewater	158	--	190	60	--	--
--	408						
	Avalon Bellevue	110	--	67	--	--	25
--	202						
	Avalon at Arlington Square I	211	20	226	53	--	--
--	510						
	Avalon on the Sound	143	--	184	22	20	43
--	412						
	Avalon Estates	66	16	80	--	--	--
--	162						
	Avalon Harbor	159	--	130	20	--	14
--	323						
	Avalon at Freehold	42	41	176	37	--	--
--	296						
	Avalon at Belltown	64	--	20	--	--	16
--	100						
	Avalon Towers on the Peninsula	90	--	115	--	6	--
--	211						
	Avalon at Cahill Park	118	--	94	--	6	--
--	218						
	Avalon Riverview I	184	--	114	--	31	43
--	372						

<CAPTION>

		Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings	Lofts	Fireplaces
Large	Balcony,					
storage	patio,					
walk-in	deck or					
closet	sunroom					
-----		-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>

<C>	<C>					
Washington, DC - continued						
Avalon Knoll	482	All	Some	None	Half	
All All						
Avalon Fields I & II	443	All	Some	Some	Half	
All Most						
Avalon Fields I & II	224	All	Some	Some	Half	
All All						
4100 Massachusetts Avenue	330	All	None	None	Some	
Most All						

MIDWEST

Chicago, IL						
Avalon at Danada Farms	714	All	None	None	Some	
All Some						
Avalon at West Grove	860	None	None	None	None	
None All						
Avalon at Stratford Green	437	All	None	None	Some	
Most Some						
200 Arlington Place	650	All	None	None	None	
All Some						

Minneapolis, MN

Avalon at Devonshire	498	Most	Some	None	Some	
Most Most						
Avalon at Edinburgh	210	All	None	None	Some	
Some All						
Avalon at Town Centre	250	All	Some	None	Some	
Some All						
Avalon at Town Square	162	All	Some	None	Some	
Some All						
Avalon at Woodbury	513	All	None	None	Some	
Some Some						

DEVELOPMENT COMMUNITIES

Avalon at Florham Park	611	All	Most	None	Some	
All Some						
Avalon at Edgewater	872	All	None	Some	Some	
All All						
Avalon Bellevue	304	All	None	Some	Some	
All All						
Avalon at Arlington Square I	949	All	Some	Some	Some	
All Some						
Avalon on the Sound	645	Most	None	Some	None	
Most Some						
Avalon Estates	354	All	Some	Some	Some	
All All						
Avalon Harbor	543	All	Some	Some	Some	
Most All						
Avalon at Freehold	611	All	Some	Some	Some	
All All						
Avalon at Belltown	134	All	None	None	None	
All Some						
Avalon Towers on the Peninsula	512	All	None	None	None	
Most All						
Avalon at Cahill Park	283	All	Some	Some	Some	
Most All						
Avalon Riverview I	128	All	None	None	None	
Most Some						

<CAPTION>

<S>	Built-in bookcases	Carports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
<C>	<C>	<C>	<C>	<C>	<C>
-----					
Washington, DC - continued					
Avalon Knoll	Some	No	No	No	None
Avalon Fields I & II	None	No	Yes	No	All
Avalon Fields I & II	Some	No	Yes	Yes	All
4100 Massachusetts Avenue	Some	No	Yes	No	None
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	Some	No	No	Yes	None
Avalon at West Grove	None	Yes	No	No	None
Avalon at Stratford Green	Some	No	Yes	Yes	None
200 Arlington Place	None	No	Yes	No	None
Minneapolis, MN					
Avalon at Devonshire	Some	No	Yes	Yes	None
Avalon at Edinburgh	None	No	Yes	No	None
Avalon at Town Centre	None	No	Yes	No	None

Avalon at Town Square	None	No	Yes	No	None
Avalon at Woodbury	None	No	No	Yes	None
DEVELOPMENT COMMUNITIES					
Avalon at Florham Park	None	No	No	Yes	All
Avalon at Edgewater	None	No	No	Yes	Some
Avalon Bellevue	None	No	No	No	None
Avalon at Arlington Square I	Some	No	No	Yes	All
Avalon on the Sound	None	No	Yes	No	Some
Avalon Estates	None	No	Yes	Yes	All
Avalon Harbor	None	No	No	No	All
Avalon at Freehold	None	No	Yes	No	None
Avalon at Belltown	None	No	No	No	Some
Avalon Towers on the Peninsula	None	No	Yes	No	No
Avalon at Cahill Park	None	No	Yes	No	No
Avalon Riverview I	None	No	Yes	No	Some

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Features and Recreational Amenities - Current and Development Communities

(continued)

<TABLE>  
<CAPTION>

Picnic Car wash area	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	Aerobics dance studio
----- <S> <C>	----- <C>	----- <C>	----- <C>	----- <C>	----- <C>
CURRENT COMMUNITIES (1)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford	Some	Yes	No	No	No
Yes No					
Hampton Place	All	No	No	No	Yes
Yes No					
Avalon Fremont	All	No	No	Yes	Yes
Yes No					
Avalon Pleasanton	None	No	No	No	No
Yes No					
Avalon Dublin	None	No	No	No	No
Yes Yes					
Avalon Willow Creek	Some	Yes	No	No	No
Yes Yes					
Avalon at Union Square	None	Yes	No	No	No
No No					
San Francisco, CA					
Crown Ridge	None	No	No	Yes	No
No No					
Avalon at Sunset Towers	All	Yes	Yes	Yes	No
Yes Yes					
Avalon at Nob Hill	None	Yes	Yes	Yes	No
No Yes					
Avalon at Diamond Heights	None	No	Yes	Yes	No
No No					
Avalon Towers by the Bay	None	Yes	Yes	Yes	No
No No					
Crossbrook	None	No	No	No	No
No Yes					
Avalon at Cedar Ridge	None	No	No	No	No
No No					
Avalon Foster City	Some	No	No	No	No
Yes No					
Avalon Pacifica	None	No	No	No	No
No No					
San Jose, CA					
Avalon Silicon Valley	Some	Yes	Yes	Yes	Yes
No Yes					
Avalon at Blossom Hill	None	Yes	Yes	No	No
Yes No					
Avalon Campbell	Some	Yes	Yes	Yes	Yes
No Yes					
CountryBrook	None	Yes	No	No	No

Yes	No						
Avalon at Pruneyard		None	No	No	No	No	No
No	Yes						
Avalon at Creekside		Some	No	No	No	No	No
No	Yes						
Avalon at River Oaks		None	No	No	No	No	No
No	Yes						
Avalon at Parkside		None	No	No	Yes	No	No
No	Yes						
San Marino		None	Yes	No	No	No	No
Yes	No						
Avalon Sunnyvale		None	No	No	Yes	Yes	Yes
Yes	Yes						
Avalon at Foxchase		None	No	No	Yes	No	No
Yes	No						
Fairway Glen		Some	No	No	No	No	No
Yes	Yes						
Avalon Cupertino		None	Yes	Yes	Yes	Yes	No
No	No						
Avalon on the Alameda		All	Yes	Yes	Yes	Yes	No
No	No						
Avalon Rosewalk		None	Yes	No	No	No	Yes
No	Yes						
Avalon Rosewalk II		None	Yes	No	No	No	Yes
No	Yes						

<CAPTION>

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center	Sand volleyball
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
URRRENT COMMUNITIES (1)							
NORTHERN CALIFORNIA							
Oakland-East Bay, CA							
Waterford	No	Yes	Yes	No	No	Yes	No
Hampton Place	No	Yes	Yes	No	No	Yes	No
Avalon Fremont	No	Yes	Yes	No	No	Yes	No
Avalon Pleasanton	No	Yes	Yes	No	No	Yes	No
Avalon Dublin	No	Yes	Yes	No	No	Yes	Yes
Avalon Willow Creek	No	Yes	Yes	No	No	Yes	No
Avalon at Union Square	No	Yes	No	No	No	Yes	No
San Francisco, CA							
Crown Ridge	Yes	Yes	Yes	No	No	Yes	No
Avalon at Sunset Towers	No	No	No	No	No	No	No
Avalon at Nob Hill	No	No	No	No	No	Yes	No
Avalon at Diamond Heights	No	Yes	Yes	No	No	Yes	No
Avalon Towers by the Bay	No	No	Yes	No	No	Yes	No
Crossbrook	Yes	Yes	Yes	No	No	Yes	No
Avalon at Cedar Ridge	No	Yes	Yes	No	No	Yes	No
Avalon Foster City	Yes	Yes	No	No	No	No	No
Avalon Pacifica	No	Yes	No	No	No	Yes	No
San Jose, CA							
Avalon Silicon Valley	No	Yes	Yes	Yes	No	Yes	No
Avalon at Blossom Hill	No	Yes	Yes	No	No	Yes	No
Avalon Campbell	Yes	Yes	Yes	No	No	Yes	Yes
CountryBrook	No	Yes	Yes	No	No	Yes	No
Avalon at Pruneyard	No	Yes	Yes	No	No	Yes	Yes
Avalon at Creekside	Yes	Yes	No	Yes	No	Yes	Yes
Avalon at River Oaks	No	Yes	Yes	No	No	Yes	No
Avalon at Parkside	No	Yes	Yes	No	No	Yes	No
San Marino	No	Yes	Yes	No	No	Yes	No
Avalon Sunnyvale	No	Yes	Yes	No	No	Yes	No
Avalon at Foxchase	No	Yes	Yes	No	No	Yes	No
Fairway Glen	No	Yes	Yes	No	No	Yes	No
Avalon Cupertino	No	Yes	Yes	No	No	Yes	No
Avalon on the Alameda	No	Yes	Yes	No	No	Yes	No
Avalon Rosewalk	Yes	Yes	Yes	No	No	Yes	No
Avalon Rosewalk II	Yes	Yes	Yes	No	No	No	No

<CAPTION>

	Indoor outdoor basketball	Clubhouse / clubroom	Business	Totlot	Concierge
<S>	<C>	<C>	<C>	<C>	<C>
URRRENT COMMUNITIES (1)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford	Yes	No	No	Yes	No
Hampton Place	No	Yes	No	No	No
Avalon Fremont	No	Yes	No	No	No

Avalon Pleasanton	Yes	No	Yes	Yes	No
Avalon Dublin	Yes	No	Yes	No	No
Avalon Willow Creek	No	No	No	No	No
Avalon at Union Square	No	No	No	No	No
San Francisco, CA					
Crown Ridge	No	No	Yes	No	No
Avalon at Sunset Towers	No	No	No	No	No
Avalon at Nob Hill	No	No	No	No	Yes
Avalon at Diamond Heights	No	Yes	No	No	No
Avalon Towers by the Bay	No	Yes	Yes	No	Yes
Crossbrook	No	No	No	Yes	No
Avalon at Cedar Ridge	No	Yes	No	No	No
Avalon Foster City	No	Yes	No	Yes	No
Avalon Pacifica	No	No	No	No	No
San Jose, CA					
Avalon Silicon Valley	Yes	Yes	Yes	Yes	Yes
Avalon at Blossom Hill	No	No	Yes	No	No
Avalon Campbell	No	No	Yes	Yes	No
CountryBrook	No	No	No	No	No
Avalon at Pruneyard	Yes	No	Yes	No	No
Avalon at Creekside	Yes	Yes	Yes	No	No
Avalon at River Oaks	No	No	Yes	No	No
Avalon at Parkside	Yes	Yes	Yes	Yes	No
San Marino	No	No	No	Yes	No
Avalon Sunnyvale	No	No	Yes	Yes	No
Avalon at Foxchase	No	No	No	No	No
Fairway Glen	No	No	No	Yes	No
Avalon Cupertino	No	No	Yes	No	No
Avalon on the Alameda	No	No	No	No	No
Avalon Rosewalk	No	No	Yes	No	No
Avalon Rosewalk II	No	No	No	No	No

</TABLE>

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Features and Recreational Amenities - Current and Development Communities

(continued)

<TABLE>

<CAPTION>

	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	Aerobics dance studio
Picnic					
Car wash area					
-----					
<S>					
<C>					
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Avalon Woodland Hills	None	Yes	No	Yes	No
No Yes					
Avalon at Media Center	None	No	No	Yes	No
Yes No					
Avalon Westside Terrace	None	Yes	Yes	Yes	Yes
Yes Yes					
Arbor Heights	None	Yes	No	No	Yes
No No					
Avalon at Warner Center	None	Yes	No	Yes	No
Yes No					
TimberWood	Some	Yes	No	No	Yes
No No					
Orange County, CA					
Avalon Huntington Beach	None	Yes	Yes	Yes	Yes
No No					
Avalon at Pacific Bay	None	Yes	No	Yes	Yes
No No					
Avalon at South Coast	None	Yes	Yes	Yes	No
No No					
Avalon Santa Margarita	None	No	No	No	Yes
No No					
Amberway	None	Yes	No	No	No
No No					
Avalon at Laguna Niguel	None	No	No	No	Yes
No Yes					
Avalon Newport	None	No	No	Yes	No
No No					
Avalon Mission Viejo	None	Yes	No	Yes	No



No	No						
San Diego, CA							
	Avalon at Mission Bay	None	Yes	Yes	Yes	Yes	No
Yes	Yes						
	Avalon at Cortez Hill	All	Yes	Yes	Yes	Yes	No
Yes	No						
	Avalon at Mission Ridge	Some	No	No	No	No	Yes
No	No						
	Avalon at Penasquitos Hills	None	No	No	No	Yes	Yes
No	No						

PACIFIC NORTHWEST

Portland, OR

	Avalon at Waterhouse Place	None	No	Yes	No	No	Yes
No	No						
	Avalon Palladia	None	No	Yes	Yes	Yes	Yes
No	No						

Seattle, WA

	Avalon at Bear Creek	All	Yes	Yes	Yes	Yes	Yes
No	No						
	Avalon Redmond Place	None	No	Yes	No	No	Yes
No	No						
	Avalon Greenbriar	None	No	Yes	No	No	Yes
Yes	No						
	Avalon RockMeadow	None	No	Yes	Yes	Yes	Yes
No	No						
	Avalon ParcSquare	None	Yes	Yes	Yes	Yes	No
Yes	Yes						
	Avalon WildReed	None	No	Yes	Yes	Yes	Yes
No	No						
	Avalon HighGrove	None	No	Yes	Yes	Yes	Yes
No	No						

NORTHEAST

Boston, MA

	Avalon at Prudential Center	None	No	Yes	No	No	No
Yes	Yes						
	Longwood Towers	None	No	Yes	No	No	Yes
No	No						
	Avalon Summit	None	No	No	No	No	No
Yes	No						
	Avalon at Lexington	None	No	Yes	No	No	Yes
Yes	No						
	Avalon at Faxon Park	None	No	Yes	No	No	Yes
Yes	No						
	Avalon West	None	No	Yes	No	No	Yes
Yes	No						
	Avalon Oaks	None	No	Yes	No	No	Yes
Yes	No						
	Avalon Essex	None	No	Yes	No	No	No
Yes	No						
	Avalon at Center Place	None	Yes	Yes	No	No	No
Yes	Yes						

<CAPTION>

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center	Sand volleyball
-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

SOUTHERN CALIFORNIA

Los Angeles, CA

	Avalon Woodland Hills	No	No	No	No	Yes	Yes	No
	Avalon at Media Center	No	No	Yes	No	Yes	No	No
	Avalon Westside Terrace	No	No	No	No	Yes	Yes	Yes
	Arbor Heights	No	No	No	No	Yes	Yes	No
	Avalon at Warner Center	No	No	No	No	Yes	Yes	Yes
	TimberWood	No	No	No	No	Yes	No	No

Orange County, CA

	Avalon Huntington Beach	No	No	Yes	No	Yes	Yes	No
	Avalon at Pacific Bay	No	No	No	No	Yes	Yes	No
	Avalon at South Coast	No	Yes	No	No	Yes	Yes	Yes
	Avalon Santa Margarita	No	No	Yes	Yes	Yes	Yes	No
	Amberway	No	No	No	No	Yes	Yes	No
	Avalon at Laguna Niguel	No	No	No	No	Yes	Yes	No
	Avalon Newport	No	Yes	No	No	Yes	Yes	No
	Avalon Mission Viejo	No	No	No	Yes	Yes	Yes	No

San Diego, CA

	Avalon at Mission Bay	Yes	Yes	No	No	Yes	Yes	Yes
	Avalon at Cortez Hill	No	No	No	Yes	Yes	Yes	Yes

Avalon at Mission Ridge	No	No	Yes	No	Yes	Yes	No
Avalon at Penasquitos Hills	No	No	Yes	Yes	Yes	Yes	Yes
PACIFIC NORTHWEST							
Portland, OR							
Avalon at Waterhouse Place	No	No	Yes	Yes	Yes	Yes	No
Avalon Palladia	No	No	Yes	Yes	Yes	Yes	No
Seattle, WA							
Avalon at Bear Creek	No	No	Yes	Yes	Yes	Yes	No
Avalon Redmond Place	No	Yes	No	Yes	Yes	Yes	No
Avalon Greenbriar	No	No	Yes	No	Yes	Yes	No
Avalon RockMeadow	No	No	Yes	No	Yes	Yes	No
Avalon ParcSquare	No	No	No	Yes	No	No	No
Avalon WildReed	No	No	Yes	Yes	Yes	Yes	No
Avalon HighGrove	No	No	No	No	Yes	Yes	No
NORTHEAST							
Boston, MA							
Avalon at Prudential Center	No	No	Yes	No	No	No	No
Longwood Towers	Yes	No	Yes	No	No	No	No
Avalon Summit	No	No	Yes	No	Yes	No	No
Avalon at Lexington	No	No	Yes	No	Yes	No	No
Avalon at Faxon Park	No	No	Yes	No	Yes	Yes	No
Avalon West	No	No	Yes	No	Yes	No	No
Avalon Oaks	No	No	Yes	No	Yes	Yes	No
Avalon Essex	No	No	Yes	No	Yes	Yes	No
Avalon at Center Place	No	Yes	Yes	No	Yes	No	No

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	Indoor outdoor basketball	Clubhouse / clubroom	Business	Totlot	Concierge
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SOUTHERN CALIFORNIA					
Los Angeles, CA					
Avalon Woodland Hills	No	Yes	No	No	No
Avalon at Media Center	No	Yes	No	No	No
Avalon Westside Terrace	No	Yes	No	Yes	No
Arbor Heights	No	Yes	No	No	No
Avalon at Warner Center	No	Yes	No	No	No
TimberWood	No	Yes	No	No	No
Orange County, CA					
Avalon Huntington Beach	No	Yes	No	No	No
Avalon at Pacific Bay	No	Yes	No	No	No
Avalon at South Coast	No	Yes	Yes	No	No
Avalon Santa Margarita	No	Yes	No	No	No
Amberway	No	Yes	No	No	No
Avalon at Laguna Niguel	No	Yes	No	No	No
Avalon Newport	No	Yes	No	No	No
Avalon Mission Viejo	No	Yes	No	No	No
San Diego, CA					
Avalon at Mission Bay	No	Yes	Yes	Yes	No
Avalon at Cortez Hill	No	Yes	No	No	No
Avalon at Mission Ridge	No	Yes	No	No	No
Avalon at Penasquitos Hills	Yes	Yes	Yes	No	No
PACIFIC NORTHWEST					
Portland, OR					
Avalon at Waterhouse Place	No	Yes	No	No	No
Avalon Palladia	No	Yes	No	No	No
Seattle, WA					
Avalon at Bear Creek	No	Yes	No	No	No
Avalon Redmond Place	No	Yes	No	No	No
Avalon Greenbriar	No	Yes	No	Yes	No
Avalon RockMeadow	No	Yes	No	No	No
Avalon ParcSquare	No	Yes	No	No	No
Avalon WildReed	No	Yes	No	No	No
Avalon HighGrove	No	Yes	No	No	No
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	No	No	No	No	Yes
Longwood Towers	No	Yes	No	No	Yes
Avalon Summit	No	Yes	No	No	No
Avalon at Lexington	No	Yes	No	Yes	No
Avalon at Faxon Park	No	Yes	No	No	No
Avalon West	No	No	No	Yes	No
Avalon Oaks	No	Yes	No	No	No
Avalon Essex	No	Yes	No	No	No
Avalon at Center Place	No	Yes	No	No	Yes

Features and Recreational Amenities - Current and Development Communities

(continued)

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Picnic Car wash area	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	Aerobics dance studio
<S>	<C>	<C>	<C>	<C>	<C>
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Fairfield-New Haven, CT					
Avalon Walk I & II	None	No	No	No	Yes
No Yes					
Avalon Glen	None	No	Yes	Yes	No
No No					
Avalon Gates	None	Yes	No	No	No
No Yes					
Avalon Springs	All	No	No	No	No
No Yes					
Avalon Valley	None	No	No	No	No
No Yes					
Avalon Lake	None	No	No	No	No
No Yes					
Avalon Corners	All	Yes	Yes	Yes	No
No Yes					
Avalon Haven	None	No	No	No	No
No Yes					
Hartford, CT					
Avalon Pavilions	None	No	No	No	Yes
No Yes					
Long Island, NY					
Avalon Commons	All	No	Yes	No	No
No Yes					
Avalon Towers	All	No	No	Yes	No
Yes No					
Avalon Court	All	Yes	Yes	No	No
No Yes					
Avalon Court North	All	No	Yes	No	No
Yes Yes					
Northern New Jersey					
Avalon Cove	All	Yes	Yes	No	No
No Yes					
The Tower at Avalon Cove	All	No	Yes	No	No
No Yes					
Avalon Crest	All	Yes	Yes	No	No
No No					
Central New Jersey					
Avalon Watch	None	No	Yes	No	No
No Yes					
Avalon Run East	None	No	No	No	No
No Yes					
New York, NY					
Avalon Gardens	All	No	No	No	No
No Yes					
Avalon View	None	No	No	No	No
No Yes					
Avalon Green	All	No	No	No	No
No No					
The Avalon	All	No	Yes	Yes	No
No No					
Avalon Willow	All	Yes	Yes	Yes	No
No Yes					
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	None	No	No	No	No
Yes Yes					
Avalon at Symphony Glen	None	No	No	No	No
Yes Yes					

Avalon Landing Yes	Yes	None	No	No	No	No
Washington, DC Avalon at Ballston - Vermont & Quincy Towers No	Yes	None	Yes	Yes	Yes	No
Avalon Crescent Yes	Yes	None	Yes	No	No	Yes
Avalon at Ballston - Washington Towers No	Yes	None	Yes	Yes	Yes	No
Avalon at Cameron Court Yes	Yes	All	Yes	No	No	Yes
AutumnWoods Yes	Yes	None	No	No	No	No
Avalon at Fair Lakes Yes	Yes	None	Yes	No	No	No
Avalon at Dulles Yes	No	None	No	No	No	No
Avalon at Providence Park Yes	No	None	No	No	No	No
Avalon at Fox Mill Yes	Yes	None	No	No	No	No
Avalon at Decoverly Yes	Yes	None	No	No	No	No

<CAPTION>

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center
Sand volleyball ----- ---						
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Fairfield-New Haven, CT Avalon Walk I & II No	Yes	Yes	No	Yes	Yes	Yes
Avalon Glen No	No	Yes	No	No	Yes	Yes
Avalon Gates Yes	No	Yes	No	No	Yes	Yes
Avalon Springs No	Yes	Yes	No	No	No	Yes
Avalon Valley No	No	Yes	No	No	No	Yes
Avalon Lake No	No	Yes	No	No	No	Yes
Avalon Corners No	No	Yes	No	No	No	Yes
Avalon Haven No	No	Yes	No	No	No	Yes
Hartford, CT Avalon Pavilions Yes	No	Yes	No	Yes	Yes	Yes
Long Island, NY Avalon Commons No	No	Yes	No	No	No	Yes
Avalon Towers No	No	Yes	No	No	No	Yes
Avalon Court No	No	Yes	No	No	No	Yes
Avalon Court North No	Yes	Yes	No	No	Yes	Yes
Northern New Jersey Avalon Cove No	Yes	Yes	No	Yes	Yes	Yes
The Tower at Avalon Cove No	Yes	Yes	No	Yes	Yes	Yes
Avalon Crest No	No	Yes	No	No	No	Yes
Central New Jersey Avalon Watch No	No	Yes	No	Yes	Yes	Yes
Avalon Run East No	Yes	Yes	No	No	No	Yes
New York, NY Avalon Gardens Yes	No	Yes	No	Yes	Yes	Yes
Avalon View No	No	Yes	No	Yes	No	Yes

Avalon Green	No	Yes	No	No	No	No
Yes						
The Avalon	No	No	No	No	No	Yes
No						
Avalon Willow	No	Yes	No	No	Yes	Yes
No						
MID-ATLANTIC						
Baltimore, MD						
Avalon at Fairway Hills I & II	No	Yes	No	Yes	Yes	Yes
No						
Avalon at Symphony Glen	Yes	Yes	No	No	No	Yes
No						
Avalon Landing	Yes	Yes	No	No	No	Yes
No						
Washington, DC						
Avalon at Ballston - Vermont & Quincy Towers	No	Yes	Yes	No	No	Yes
No						
Avalon Crescent	Yes	Yes	No	No	No	Yes
No						
Avalon at Ballston - Washington Towers	No	Yes	No	Yes	No	Yes
No						
Avalon at Cameron Court	No	Yes	Yes	No	No	Yes
Yes						
AutumnWoods	Yes	Yes	No	Yes	No	Yes
Yes						
Avalon at Fair Lakes	No	Yes	No	Yes	No	Yes
No						
Avalon at Dulles	Yes	Yes	Yes	Yes	No	Yes
No						
Avalon at Providence Park	No	Yes	No	No	No	Yes
No						
Avalon at Fox Mill	No	Yes	No	No	No	Yes
No						
Avalon at Decoverly	Yes	Yes	No	Yes	Yes	Yes
No						

<CAPTION>

	Indoor outdoor basketball	Clubhouse / clubroom	Business	Totlot
Concierge				
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
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Fairfield-New Haven, CT				
Avalon Walk I & II	Yes	Yes	No	Yes
No				
Avalon Glen	No	Yes	No	No
Yes				
Avalon Gates	Yes	Yes	No	Yes
No				
Avalon Springs	No	Yes	No	Yes
No				
Avalon Valley	Yes	Yes	No	Yes
No				
Avalon Lake	No	No	No	No
No				
Avalon Corners	No	Yes	Yes	No
Yes				
Avalon Haven	No	Yes	No	Yes
No				
Hartford, CT				
Avalon Pavilions	Yes	Yes	No	Yes
No				
Long Island, NY				
Avalon Commons	Yes	Yes	Yes	Yes
No				
Avalon Towers	No	Yes	No	No
Yes				
Avalon Court	No	Yes	No	Yes
No				
Avalon Court North	Yes	Yes	Yes	Yes
No				
Northern New Jersey				
Avalon Cove	Yes	Yes	Yes	Yes
Yes				
The Tower at Avalon Cove	Yes	Yes	Yes	Yes
Yes				
Avalon Crest	Yes	Yes	Yes	No

No					
	Central New Jersey				
	Avalon Watch	Yes	Yes	No	Yes
No					
	Avalon Run East	No	Yes	No	Yes
No					
	New York, NY				
	Avalon Gardens	Yes	Yes	Yes	Yes
Yes					
	Avalon View	Yes	Yes	No	Yes
No					
	Avalon Green	No	Yes	No	No
No					
	The Avalon	No	Yes	Yes	No
Yes					
	Avalon Willow	No	Yes	Yes	No
Yes					
	MID-ATLANTIC				
	Baltimore, MD				
	Avalon at Fairway Hills I & II	No	Yes	Yes	Yes
No					
	Avalon at Symphony Glen	No	Yes	No	Yes
No					
	Avalon Landing	No	Yes	No	No
No					
	Washington, DC				
	Avalon at Ballston - Vermont & Quincy Towers	No	Yes	No	No
No					
	Avalon Crescent	No	Yes	Yes	Yes
Yes					
	Avalon at Ballston - Washington Towers	No	Yes	No	No
Ye					
	Avalon at Cameron Court	Yes	Yes	Yes	No
No					
	AutumnWoods	Yes	Yes	No	Yes
No					
	Avalon at Fair Lakes	No	Yes	Yes	No
No					
	Avalon at Dulles	No	Yes	No	No
No					
	Avalon at Providence Park	No	Yes	Yes	No
No					
	Avalon at Fox Mill	No	Yes	No	Yes
No					
	Avalon at Decoverly	Yes	Yes	No	Yes
No					

</TABLE>

Features and Recreational Amenities - Current and Development Communities

(continued)

<TABLE>  
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	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	Aerobics dance studio
Picnic					
Car wash area					
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>	<C>				
Washington, DC - continued	None	No	Yes	No	No
Yes Yes					
Avalon Knoll	All	No	No	No	No
Yes Yes					
Avalon Fields I & II	None	Yes	No	No	No
Yes Yes					
Avalon Fields I & II	None	Yes	Yes	Yes	No
No No					
4100 Massachusetts Avenue					
MIDWEST					
Chicago, IL	None	No	No	No	No
No No					
Avalon at Danada Farms	None	No	Yes	No	No

No	Yes					
	Avalon at West Grove	None	No	No	No	No
Yes	Yes					
	Avalon at Stratford Green	None	No	Yes	No	No
No	No					
	200 Arlington Place					
	Minneapolis, MN	None	No	Yes	Yes	No
Yes	Yes					
	Avalon at Devonshire	None	No	Yes	Yes	No
Yes	Yes					
	Avalon at Edinburgh	None	No	Yes	Yes	No
Yes	Yes					
	Avalon at Town Centre	None	No	Yes	Yes	No
Yes	Yes					
	Avalon at Town Square	None	No	No	No	No
No	No					
	Avalon at Woodbury					

DEVELOPMENT COMMUNITIES

	Avalon at Florham Park	None	No	No	No	No
No	No					
	Avalon at Edgewater	All	Yes	Yes	Yes	No
No	No					
	Avalon Bellevue	None	No	Yes	Yes	No
No	No					
	Avalon at Arlington Square I	None	No	Yes	No	No
No	Yes					
	Avalon on the Sound	All	Yes	Yes	No	No
No	Yes					
	Avalon Estates	None	No	No	No	No
No	Yes					
	Avalon Harbor	All	Yes	Yes	Yes	No
No	Yes					
	Avalon at Freehold	None	No	No	No	No
No	Yes					
	Avalon at Belltown	None	Yes	Yes	Yes	No
No	No					
	Avalon Towers on the Peninsula	Yes	Yes	Yes	Yes	No
Yes	Yes					
	Avalon at Cahill Park	Yes	Yes	Yes	Yes	Yes
No	No					
	Avalon Riverview I	All	Yes	Yes	No	No
No	Yes					

<CAPTION>

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center
Sand volleyball						
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Washington, DC - continued	Yes	Yes	No	Yes	No	Yes
No						
Avalon Knoll	No	Yes	No	No	No	Yes
No						
Avalon Fields I & II	No	Yes	No	No	No	Yes
No						
Avalon Fields I & II	Yes	Yes	No	No	No	Yes
No						
4100 Massachusetts Avenue						
MIDWEST						
Chicago, IL	No	Yes	No	No	No	Yes
No						
Avalon at Danada Farms	No	Yes	Yes	No	Yes	Yes
No						
Avalon at West Grove	Yes	Yes	No	No	No	No
No						
Avalon at Stratford Green	No	Yes	No	No	No	Yes
No						
200 Arlington Place						
Minneapolis, MN	Yes	Yes	No	Yes	No	Yes
No						
Avalon at Devonshire	Yes	Yes	Yes	No	No	Yes
No						
Avalon at Edinburgh	Yes	Yes	Yes	Yes	No	Yes
Yes						
Avalon at Town Centre	Yes	Yes	Yes	Yes	No	Yes
Yes						
Avalon at Town Square	Yes	Yes	No	No	No	Yes

No	Avalon at Woodbury						
DEVELOPMENT COMMUNITIES							
No	Avalon at Florham Park	No	Yes	No	No	No	Yes
No	Avalon at Edgewater	No	Yes	No	No	No	Yes
No	Avalon Bellevue	No	No	No	No	No	Yes
No	Avalon at Arlington Square I	No	Yes	No	No	No	Yes
No	Avalon on the Sound	Yes	Yes	No	No	No	Yes
No	Avalon Estates	Yes	Yes	Yes	No	No	Yes
No	Avalon Harbor	Yes	Yes	No	No	Yes	Yes
No	Avalon at Freehold	No	Yes	No	No	No	Yes
No	Avalon at Belltown	No	No	No	No	No	Yes
No	Avalon Towers on the Peninsula	No	Yes	Yes	No	No	Yes
No	Avalon at Cahill Park	No	Yes	Yes	No	No	Yes
No	Avalon Riverview I	Yes	No	No	No	No	Yes

<CAPTION>

	Indoor outdoor basketball	Clubhouse / clubroom	Business	Totlot
Concierge				
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Washington, DC - continued	Yes	No	No	Yes
No	Avalon Knoll	No	Yes	No
No	Avalon Fields I & II	No	Yes	No
No	Avalon Fields I & II	No	Yes	No
No	4100 Massachusetts Avenue			
MIDWEST				
Chicago, IL	No	Yes	Yes	No
Yes	Avalon at Danada Farms	No	Yes	Yes
No	Avalon at West Grove	No	Yes	No
Yes	Avalon at Stratford Green	No	Yes	No
No	200 Arlington Place			
Minneapolis, MN	No	Yes	No	No
No	Avalon at Devonshire	No	Yes	No
No	Avalon at Edinburgh	No	Yes	No
No	Avalon at Town Centre	No	Yes	No
No	Avalon at Town Square	No	No	No
No	Avalon at Woodbury			
DEVELOPMENT COMMUNITIES				
No	Avalon at Florham Park	No	Yes	No
No	Avalon at Edgewater	No	Yes	No
Yes	Avalon Bellevue	No	Yes	No
Yes	Avalon at Arlington Square I	Yes	Yes	Yes
No	Avalon on the Sound	Yes	Yes	No
Yes	Avalon Estates	No	No	Yes



No	Avalon Harbor	Yes	Yes	Yes	No
Yes	Avalon at Freehold	No	Yes	Yes	Yes
No	Avalon at Belltown	No	Yes	No	No
No	Avalon Towers on the Peninsula	No	No	No	No
Yes	Avalon at Cahill Park	No	Yes	Yes	No
No	Avalon Riverview I	No	Yes	Yes	No
Yes					

Development Communities

As of March 1, 2001, we had twelve Development Communities under construction. We expect these Development Communities, when completed, to add a total of 3,484 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately \$660.8 million. Statements regarding the future development or performance of the Development Communities are forward-looking statements. We cannot assure you that:

- o we will complete the Development Communities;
- o our budgeted costs or estimates of occupancy rates will be realized;
- o our schedule of leasing start dates or construction completion dates will be achieved; or
- o future developments will realize returns comparable to our past developments.

You should carefully review the discussion under "Risks of Development and Redevelopment" below.

We hold a fee simple ownership interest in 11 of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community. The following table presents a summary of the Development Communities:

Estimated stabilization date (3)	Number of apartment homes	Budgeted cost (1) (\$ millions)	Construction start	Initial occupancy (2)	Estimated completion date
-					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
1. Avalon at Florham Park Florham Park, NJ Q4 2001	270	\$41.0	Q2 1999	Q1 2000	Q2 2001
2. Avalon at Edgewater Edgewater, NJ Q4 2002	408	\$75.6	Q3 1999	Q3 2001	Q2 2002
3. Avalon at Bellevue Bellevue, WA Q3 2001	202	\$29.9	Q4 1999	Q1 2001	Q2 2001
4. Avalon at Arlington Square I Arlington, VA Q3 2002	510	\$69.9	Q4 1999	Q4 2000	Q4 2001
5. Avalon on the Sound (4) New Rochelle, NY Q3 2002	412	\$92.1	Q4 1999	Q3 2001	Q4 2001
6. Avalon Estates Hull, MA Q4 2001	162	\$20.4	Q4 1999	Q3 2000	Q2 2001
7. Avalon at Freehold Freehold, NY Q2 2002	296	\$33.1	Q2 2000	Q1 2001	Q4 2001
8. Avalon Harbor Stamford, CT Q2 2003	323	\$60.7	Q3 2000	Q1 2002	Q4 2002
9. Avalon Belltown Seattle, WA Q3 2002	100	\$19.2	Q3 2000	Q4 2001	Q1 2002
10. Avalon Towers on the Peninsula Mountain View, CA Q4 2002	211	\$65.9	Q3 2000	Q1 2002	Q2 2002
11. Avalon at Cahill Park					

San Jose, CA	218	\$50.5	Q4 2000	Q2 2002	Q3 2002
Q1 2003					
12. Avalon Riverview I					
Long Island City, NY	372	\$102.5	Q4 2000	Q2 2002	Q4 2002
Q2 2003					
	-----	-----			
Total	3,484	\$660.8			
	=====	=====			

</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be 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 determined in accordance with generally accepted accounting principles.
- (2) Future initial occupancy dates are estimates.
- (3) Stabilized operations are defined as the first full quarter of 95% or greater occupancy after completion of construction.
- (4) This community will be developed under a joint venture structure and the joint venture entity (a limited liability company) has obtained third-party debt financing. Our equity funding of the total budgeted costs is expected to be \$13.3 million.

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#### Redevelopment Communities

As of March 1, 2001, we had four communities under redevelopment. We expect the total budgeted cost to complete these Redevelopment Communities, including the cost of acquisition and redevelopment, to be approximately \$324.6 million, of which approximately \$73.5 million is the additional capital invested or expected to be invested above the original purchase cost. Statements regarding the future redevelopment or performance of the Redevelopment Communities are forward-looking statements. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary from our budget by a wider range than for a new development community. We cannot assure you that we will meet our schedules for reconstruction completion, or that we will meet our budgeted costs, either individually or in the aggregate. See the discussion under "Risks of Development and Redevelopment" below.

The following presents a summary of Redevelopment Communities:

Estimated restabilized operations (3)	Number of apartment homes	Budgeted Cost (\$ millions)			
		Acquisition cost	Total cost (1)	Reconstruction start	Reconstruction completion (2)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
1. Avalon at Cortez Hill San Diego, CA	294	\$24.4	\$33.8	Q1 2000	Q2 2001
Q3 2001					
2. Avalon at Media Center Burbank, CA	748	\$55.3	\$75.3	Q1 2000	Q1 2002
Q2 2002					
3. Avalon at Prudential Center Boston, MA	781	\$133.9	\$154.5	Q4 2000	Q4 2002
Q2 2003					
4. Avalon Terrace (4) Stamford, CT	388	\$37.5	\$61.0	Q4 2000	Q3 2002
Q1 2003					
	-----	-----	-----		
Total	2,211	\$251.1	\$324.6		
	=====	=====	=====		

</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to redevelop the respective Redevelopment Community, including costs to acquire the community, reconstruction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated redevelopment overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Reconstruction completion dates are estimates.

- (3) Restabilized operations are defined as the first full quarter of 95% or greater occupancy after completion of reconstruction.
- (4) This community will be developed under a joint venture structure and the joint venture entity (a limited liability company) has obtained third-party debt financing on a non-recourse basis. Our equity funding of the total budgeted costs is expected to be \$9.6 million.

#### Development Rights

As of March 1, 2001, we are considering the development of 33 new apartment communities on land that is either owned by us or under contract, or for which we hold a purchase option. These Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add 9,091 upscale apartment homes to our portfolio. At December 31, 2000, the cumulative capitalized costs incurred in pursuit of the 33 Development Rights was approximately \$68.9 million, of which \$33.2 was the cost of land acquired in connection with six of the Development Rights. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

We generally hold Development Rights through options to acquire land, although one Development Right located in New Canaan, Connecticut is controlled through a joint venture partnership that owns the land. The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to pursue, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analysis. Finally, we currently intend to limit the percentage of debt used to finance new developments in

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order to maintain our general historical practice with respect to the proportion of debt in our capital structure. Therefore, other financing alternatives may be required to finance the development of those Development Rights scheduled to start construction after January 1, 2001. Although the development of any particular Development Right cannot be assured, we believe that the Development Rights, in the aggregate, present attractive potential opportunities for future development and growth of our long-term stockholder value.

Statements regarding the future development of the Development Rights are forward-looking statements. We cannot assure you that:

- o we will succeed in obtaining zoning and other necessary governmental approvals or the financing required to develop these communities, or that we will decide to develop any particular community; or
- o if we undertake construction of any particular community, that we will complete construction at the total budgeted cost assumed in the financial projections below.

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The following presents a summary of the 33 Development Rights we are currently pursuing:

<TABLE>  
<CAPTION>

	Location	Estimated number of homes	Total budgeted costs (\$ millions)
<S>		<C>	<C>
1.	Wilmington, MA	120	\$17
2.	Washington, D.C. (1)	209	43
3.	San Francisco, CA	250	79
4.	Lawrence, NJ	312	41
5.	New Canaan, CT (1) (2)	104	26
6.	North Bethesda, MD	386	46
7.	Marlboro, MA	156	20
8.	Weymouth, MA	304	36
9.	Seattle, WA	152	44
10.	Westborough, MA	280	34
11.	Arlington II, VA (1)	332	43
12.	Darien, CT (1)	189	37
13.	Washington, D.C.	144	29
14.	Orange, CT (1)	168	18
15.	Hingham, MA	270	42
16.	San Francisco, CA	303	94
17.	Andover, MA	140	21
18.	Newton, MA	299	54

19.	Wilton, CT	113	23
20.	Oakland, CA (1)	178	36
21.	North Potomac, MD	520	61
22.	Danbury, CT	244	29
23.	Los Angeles, CA	309	53
24.	Cohasset, MA	240	34
25.	Bellevue, WA	330	63
26.	Coram, NY	450	61
27.	Greenburgh - II, NY	500	83
28.	Greenburgh - III, NY	266	44
29.	Bedford, MA	144	19
30.	New Rochelle, NY Phase II and III	588	137
31.	Stratford, CT	182	21
32.	Milford, CT	370	43
33.	Long Island City, NY Phase II and III	539	162
	Totals	9,091	\$1,593
		=====	=====

</TABLE>

- (1) Land is owned, but construction has not yet begun.
- (2) The land currently is owned by a limited partnership in which we are a majority partner. It is currently anticipated that the land seller will retain a minority limited partner interest.

#### Risks of Development and Redevelopment

We intend to continue to pursue the development and redevelopment of apartment home communities. Our development and redevelopment activities may be exposed to the following:

- o we may abandon opportunities we have already begun to explore based on further review of, or changes in, financial, demographic, environmental or other factors;
- o we may encounter liquidity constraints, including the unavailability of financing on favorable terms for the development or redevelopment of a community;
- o we may be unable to obtain, or we may experience delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations;

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- o we may incur construction or reconstruction costs for a community that exceed our original estimates due to increased materials, labor or other expenses, which could make completion or redevelopment of the community uneconomical;
- o occupancy rates and rents at a newly completed or redevelopment community may fluctuate depending on a number of factors, including market and general economic conditions, and may not be sufficient to make the community profitable; and
- o we may be unable to complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs.

The occurrence of any of the events described above could adversely affect our ability to achieve our projected yields on communities under development or redevelopment and could affect our payment of distributions to our stockholders.

Construction costs are projected by us based on market conditions prevailing in the community's market at the time our budgets are prepared and reflect changes to those market conditions that we anticipated at that time. Although we attempt to anticipate changes in market conditions, we cannot predict with certainty what those changes will be. Construction costs have been increasing and, for some of our Development Communities, the total construction costs have been or are expected to be higher than the original budget. Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development or Redevelopment Community, including:

- o land and/or property acquisition costs;
- o construction or reconstruction costs;
- o real estate taxes;
- o capitalized interest;
- o loan fees;
- o permits;
- o professional fees;
- o allocated development or redevelopment overhead; and
- o other regulatory fees determined in accordance with generally accepted accounting principles.

We believe that, in the aggregate, we will still achieve our targeted projected yield (i.e., return on invested capital) for those communities experiencing costs in excess of the original budget because of increases in prevailing market rents. We believe that we could experience similar increases in construction costs and market rents with respect to other development communities resulting

in total construction costs that exceed original budgets. Likewise, costs to redevelop communities that have been acquired have, in some cases, exceeded our original estimates and similar increases in costs may be experienced in the future. We cannot assure you that market rents in effect at the time new development communities or redeveloped communities complete lease-up will be sufficient to fully offset the effects of any increased construction or reconstruction costs.

#### Capitalized Interest

In accordance with generally accepted accounting principles, we capitalize interest expense during construction or reconstruction until an apartment home obtains a certificate of occupancy. Thereafter, the interest allocated to that completed apartment home within the community is expensed. Capitalized interest during the years ended December 31, 2000 and 1999 totaled \$18,328,000 and \$21,888,000, respectively.

#### Acquisition Activities and Other Recent Developments

**Acquisitions of Existing Communities.** We have acquired seven communities containing 1,960 apartment homes since January 1, 2000 for an acquisition price of approximately \$252,400,000. Six of the communities were acquired pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.

**Sales of Existing Communities.** We seek to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

- o apply sufficient market and management presence to enhance revenue growth;
- o reduce operating expenses; and
- o leverage management talent.

To achieve this increased concentration, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our variable rate unsecured credit facility. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a nontaxable like-kind exchange transaction. Accordingly, we sold nine communities, totaling 2,158 apartment homes, since January 1, 2000. Net proceeds from the sales of these assets totaled \$138,924,000.

**Land Acquisitions and Leases for New Developments.** We carefully select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 2000, we acquired the following land parcels for future development:

<TABLE>  
<CAPTION>

Construction completion (2)	Gross acres	Estimated Number of apartment homes	Budgeted cost (1) (\$ millions)	Date Acquired	Construction start (2)
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
1. Avalon at Freehold Q4 2001 Freehold, NJ	70.0	296	\$33.1	May 2000	Q2 2000
2. Avalon Harbor Q4 2002 Stamford, CT	15.1	323	\$60.7	May 2000	Q3 2000
3. Avalon Belltown Q1 2002 Seattle, WA	0.7	100	\$19.2	July 2000	Q3 2000
4. Avalon Riverview I (3) Q4 2002 Long Island City, NY	1.0	372	\$102.5	September 2000	Q4 2000
5. Ellington Q4 2002 Washington, D.C.	0.5	209	\$42.9	July 2000	Q2 2001
6. Mission Bay (3) Q1 2003 San Francisco, CA	1.4	250	\$79.2	December 2000	Q1 2001
7. Avalon Hollow Q4 2002 Darren, CT	32.0	189	\$36.5	January 2000	Q2 2001
8. Avalon at Lake Merritt	2.1	178	\$36.0	August 2000	Q4 2001

Total	----- 122.8 =====	----- 1,917 =====	----- \$410.1 =====
-------	-------------------------	-------------------------	---------------------------

</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be 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 determined in accordance with generally accepted accounting principles.
- (2) Future construction start and completion dates are estimates.
- (3) Community will be developed on land being leased from an unrelated third party.

#### Natural Disasters

Many of our West Coast communities are located in the general vicinity of active earthquake faults. In July 1998, we obtained a seismic risk analysis from an engineering firm which estimated the probable maximum loss (PML) for each of the 63 West Coast communities that we owned at that time and for each of the four West Coast communities under development at that time. To establish a PML, the engineers define a severe earthquake event for the applicable geographic area. The PML is the building damage and business interruption loss that is estimated to have only a 10% probability of being exceeded in a fifty year period in the event of such an earthquake. Because a significant number of our communities are located in the San Francisco Bay Area, the engineers' analysis assumed an earthquake on the Hayward Fault with a Richter Scale magnitude of 7.1. Based on this earthquake scenario, the engineers determined the PML at that time to be \$113 million for the 60 West Coast communities that we owned at that time and the five West Coast communities then under development. The actual aggregate PML could be higher or lower as a result of variations in soil classifications and structural vulnerabilities. For each community, the engineers' analysis calculated an individual PML as a percentage of the community's replacement cost and projected revenues. We cannot assure you that:

- o an earthquake would not cause damage or losses greater than the PML assessments indicate;
- o future PML levels will not be higher than the current PML levels described above for our communities located on the West Coast; or
- o acquisitions or developments after July 1998 will not have PML assessments indicating the possibility of greater damage or losses than currently indicated.

In November 2000, we renewed our earthquake insurance, both for physical damage and lost revenue, with respect to all communities we owned at that time and all of the communities then under development. For any single occurrence, we have in place with respect to communities located in California \$75 million of coverage with a five percent deductible. The five percent deductible is subject to a minimum of \$100,000 per occurrence. Earthquake coverage outside of California is subject to a \$200 million limit and a \$25,000 deductible per occurrence. In addition, our general liability and property insurance program provides coverage for public liability and fire damage. In the event an uninsured disaster or a loss in excess of insured limits were to occur, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

In February 2001, an earthquake occurred in the Pacific Northwest. We believe that no material damage occurred at any of our properties but we are continuing to finalize our evaluation. Any damage that was sustained would be covered by the insurance described above, subject to a \$25,000 deductible.

#### Americans with Disabilities Act

The apartment communities we own and any apartment communities that we acquire must comply with Title III of the Americans with Disabilities Act to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the Americans with Disabilities Act. Compliance with the Americans with Disabilities Act requirements could require removal of structural barriers to handicapped access in certain public areas of our properties where such removal is readily achievable. The Americans with Disabilities Act does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as leasing offices, are open to the public. We believe our properties comply in all material respects with all present requirements under the Americans with Disabilities Act and applicable state laws. Noncompliance could result in imposition of fines or an award of damages to private litigants.

## ITEM 3. LEGAL PROCEEDINGS

AvalonBay is from time to time subject to claims and administrative proceedings arising in the ordinary course of business. Some of these claims and proceedings are expected to be covered by liability insurance. The following matter, for which we believe we have meritorious defenses and are therefore vigorously defending against, is not covered by liability insurance. However, outstanding litigation matters, individually and in the aggregate, including the matter described below, are not expected to have a material adverse effect on our business or financial condition.

AvalonBay is currently involved in litigation with York Hunter Construction, Inc. and National Union Fire Insurance Company. The action arises from our October 1999 termination of York Hunter as construction manager under a contract relating to construction of the Avalon Willow community in Mamaroneck, New York, because of alleged failures and deficiencies by York Hunter and its subcontractors in performing under the contract. York Hunter initiated the litigation in October 1999, by filing a complaint against us and other defendants claiming more than \$15 million in damages. We have filed counterclaims against York Hunter, seeking more than \$9 million in compensatory damages, including lost rental income and costs to complete the community, and approximately \$14 million in damages arising from a willful exaggeration of lien. We have also filed a claim against National Union Fire Insurance, which furnished construction and performance bonds to us on behalf of York Hunter. We believe that we have meritorious defenses against all of York Hunter's claims and are vigorously contesting those claims. We also intend to pursue our counterclaims against York Hunter and National Union Fire Insurance aggressively. During 2000, this litigation was removed from the United States District Court for the Southern District of New York to the Supreme Court of the State of New York, County of Westchester. A trial date has not been set.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

No matter was submitted to a vote of our security holders during the fourth quarter of 2000.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the New York Stock Exchange (NYSE) and the Pacific Exchange (PCX) under the ticker symbol AVB. The following table sets forth the quarterly high and low sales prices per share of our common stock on the NYSE for the years 2000 and 1999, as reported by the NYSE. On March 1, 2001, there were 864 holders of record of an aggregate of 67,378,263 shares of our outstanding common stock.

<TABLE>  
<CAPTION>

	2000			1999		
	Sales Price		Dividends	Sales Price		Dividends
	High	Low	declared	High	Low	declared
Quarter ended March 31 0.51	<C> \$36.688	<C> \$32.625	<C> \$ 0.56	<C> \$34.313	<C> \$30.813	<C> \$
Quarter ended June 30 0.51	\$43.125	\$36.125	\$ 0.56	\$37.000	\$31.000	\$
Quarter ended September 30 0.52	\$48.250	\$42.000	\$ 0.56	\$35.875	\$32.563	\$
Quarter ended December 31 0.52	\$50.625	\$44.000	\$ 0.56	\$35.000	\$30.875	\$

</TABLE>

We expect to continue our policy of paying regular quarterly cash dividends. However, dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

We have an optional Dividend Reinvestment and Stock Purchase Plan (DRIP) which provides a simple and convenient method for stockholders to invest cash dividends and optional cash payments in shares of our common stock. All holders of capital stock are eligible to participate in the DRIP, including stockholders whose shares are held in the name of a nominee or broker. These participants in the DRIP may purchase additional shares of common stock by:

- o having the cash dividends on all or part of their shares of common stock and preferred stock automatically reinvested;
- o receiving directly, as usual, their cash dividends, if and when declared, on their shares of capital stock and investing in the DRIP by making cash payments of not less than \$100 or more than \$100,000, or such larger amount as we may approve, per quarter; and/or
- o investing both their cash dividends and such optional cash payments in shares of common stock.

Common stock acquired pursuant to the DRIP with reinvested dividends may be purchased at a price per share equal to 97% of the closing price on the NYSE for such shares of common stock on the applicable investment date. Common stock purchased with optional cash payments of up to \$100,000 per calendar quarter may be purchased at a price per share equal to 100% of the last reported sale price for a share of common stock as reported by the NYSE on the applicable investment date. In addition, common stock purchased with optional cash payments in excess of \$100,000 per calendar quarter pursuant to a Request for Waiver may be purchased at a price per share equal to 100% of the average of the daily high and low sales prices of our common stock on the NYSE for the ten trading days immediately preceding the applicable investment date. Generally, no brokerage commissions, fees or service charges are paid by participants in connection with purchases under the DRIP. Stockholders who do not participate in the DRIP continue to receive cash dividends as declared.

During the three months ended December 31, 2000, the Company issued 157,542 shares of common stock in exchange for units of limited partnership held by limited partners of DownREIT partnership subsidiaries of the Company. Specifically, the Company issued 99,576 shares of common stock in exchange for units in Avalon

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DownREIT V, L.P., and 57,966 shares of common stock in exchange for units in Bay Pacific Northwest, L.P. These shares were issued in reliance on an exemption from registration under Section 4 (2) of the Securities Act of 1933. The Company is relying on the exemption based upon factual representations received from the limited partners who received these shares.

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ITEM 6. SELECTED FINANCIAL DATA

The following table provides historical consolidated financial, operating and other data for AvalonBay Communities, Inc. You should read the table with our consolidated financial statements and the notes included in this report. Dollars in thousands, except per share information.

<TABLE>  
<CAPTION>

	Years ended			
	12-31-00	12-31-99	12-31-98	12-31-97
12-31-96				
<S>	<C>	<C>	<C>	<C>
<C>				
Revenue:				
Rental income	\$ 571,943	\$ 504,567	\$ 369,945	\$ 169,442
\$ 123,354				
Management fees	1,051	1,176	1,377	1,029
1,439				
Other income	401	236	81	633
420				
Total revenue	573,395	505,979	371,403	171,104
125,213				
Expenses:				
Operating expenses, excluding property taxes	142,664	135,517	104,346	47,279
36,941				



Property taxes	46,958	42,701	31,775	14,429
10,583				
Interest expense	83,609	74,699	54,650	16,977
9,545				
Depreciation and amortization	122,610	109,759	77,374	29,113
20,956				
General and administrative	13,013	9,592	9,124	5,093
3,438				
Non-recurring items	--	16,782	--	--
--				
-----				
Total expenses	408,854	389,050	277,269	112,891
81,463				
-----				
Equity in income of unconsolidated joint ventures	2,428	2,867	2,638	5,689
1,025				
Interest income	4,764	7,362	3,508	1,346
887				
Minority interest in consolidated partnerships	(1,908)	(1,975)	(1,770)	174
495				
-----				
Income before gain on sale of communities and extraordinary item	169,825	125,183	98,510	65,422
46,157				
Gain on sale of communities	40,779	47,093	25,270	677
7,850				
-----				
Income before extraordinary item	210,604	172,276	123,780	66,099
54,007				
Extraordinary item	--	--	(245)	(1,183)
(2,356)				
-----				
Net income	210,604	172,276	123,535	64,916
51,651				
Dividends attributable to preferred stock	(39,779)	(39,779)	(28,132)	(19,656)
(10,422)				
-----				
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403	\$ 45,260
\$ 41,229				
=====				
Per Common Share and Share Information:				
Per common share - basic				
Income before extraordinary item	\$ 2.58	\$ 2.05	\$ 1.89	\$ 1.64
\$ 1.85				
(net of preferred dividends)				
Extraordinary item	\$ --	\$ --	\$ --	\$ (0.04)
\$ (0.10)				
Net income available to common stockholders	\$ 2.58	\$ 2.05	\$ 1.89	\$ 1.60
\$ 1.75				
Weighted average common shares outstanding	66,309,707	64,724,799	50,387,258	28,244,845
23,617,161				
Per common share - diluted				
Income before extraordinary item	\$ 2.53	\$ 2.03	\$ 1.88	\$ 1.63
\$ 1.84				
(net of preferred dividends)				
Extraordinary item	\$ --	\$ --	\$ --	\$ (0.04)
\$ (0.10)				
Net income available to common stockholders	\$ 2.53	\$ 2.03	\$ 1.88	\$ 1.59
\$ 1.74				
Weighted average common shares and units	68,140,998	66,110,664	51,771,247	28,431,823
23,691,447				
outstanding				
Cash dividends declared	\$ 2.24	\$ 2.06	\$ 2.04	\$ 2.00
\$ 1.94				

	Years ended			
	12-31-00	12-31-99	12-31-98	12-31-97
12-31-96				
<S>	<C>	<C>	<C>	<C>
<C>				
Other Information:				
Net income	\$ 210,604	\$ 172,276	\$ 123,535	\$ 64,916
\$ 51,651				
Depreciation and amortization	122,610	109,759	77,374	29,113
20,956				
Interest expense	83,609	74,699	54,650	16,977
9,545				
Interest income	(4,764)	(7,362)	(3,508)	(1,346)
(887)				
Non-recurring items	--	16,782	--	--
--				
Gain on sale of communities	(40,779)	(47,093)	(25,270)	(677)
(7,850)				
Extraordinary item	--	--	245	1,183
2,356				
Gross EBITDA (1)	\$ 371,280	\$ 319,061	\$ 227,026	\$ 110,166
\$ 75,771				
Funds from Operations - Clarified Definition (2)	\$ 252,013	\$ 196,058	\$ 148,487	\$ 73,525
\$ 54,622				
Funds from Operations - Original Definition (2)	\$ 252,013	\$ 212,840	\$ 148,487	\$ 73,525
\$ 54,622				
Number of Current Communities	126	122	127	64
46				
Number of apartment homes	37,147	36,008	37,911	19,318
13,822				
Balance Sheet Information:				
Real estate, before				
accumulated depreciation	\$ 4,535,969	\$ 4,266,426	\$ 4,006,456	\$ 1,534,986
\$ 1,081,906				
Total assets	\$ 4,397,255	\$ 4,154,662	\$ 4,005,013	\$ 1,529,703
\$ 1,082,771				
Notes payable and unsecured credit facilities	\$ 1,729,924	\$ 1,593,647	\$ 1,484,371	\$ 506,129
310,606				
Cash Flow Information:				
Net cash flows provided by operating activities	\$ 294,818	\$ 250,066	\$ 193,478	\$ 93,649
65,841				
Net cash flows used in investing activities	\$ (282,584)	\$ (264,619)	\$ (617,685)	\$ (421,420)
(261,033)				
Net cash flows provided by financing activities	\$ 37,379	\$ 13,284	\$ 426,375	\$ 320,252
\$ 207,632				

#### Notes to Selected Financial Data

- (1) Gross EBITDA represents earnings before interest, income taxes, depreciation and amortization, non-recurring items, gain on sale of communities and extraordinary items. Gross EBITDA is relevant to an understanding of the economics of AvalonBay because it indicates cash flow available from operations to service fixed obligations. Gross EBITDA should not be considered as an alternative to operating income (as determined in accordance with generally accepted accounting principles, or "GAAP"), as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our calculation of gross EBITDA may not be comparable to gross EBITDA as calculated by other companies.
- (2) We generally consider Funds from Operations, or FFO, to be an appropriate measure of our operating performance because it helps investors understand our ability to incur and service debt and to make capital expenditures. We believe that to gain a clear understanding of our operating results, FFO should be examined with net income as presented in the Consolidated Statements of Operations included elsewhere in this report. FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) and is defined as:
- o net income or loss computed in accordance with GAAP, except that excluded from net income or loss are gains or losses on sales of property and extraordinary (as defined by GAAP) gains

- o and losses on debt restructuring;
- o plus depreciation of real estate assets; and
- o after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered as an alternative to net income as an indication of performance. FFO should also

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not be considered an alternative to net cash flows from operating activities as determined by generally accepted accounting principles as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

FFO previously reported for the year ended December 31, 1999 excluded the effect on net income of a non-recurring restructuring charge of \$16,076 and Year 2000 remediation costs of \$706, in conformance with the NAREIT definition of FFO calculations then in effect, or the original definition. NAREIT issued a White Paper dated October 1999 that clarified the definition of FFO and the treatment of certain non-recurring charges. The clarified definition includes the effect on net income of non-recurring charges in the calculation of FFO. Although we believe the comparison of FFO using the original definition represents a better guide to investors of comparable operations and growth between years, both FFO calculations are presented below:

<TABLE>  
<CAPTION>

	Years ended				
	12-31-00	12-31-99	12-31-98	12-31-97	12-31-96
<S>	<C>	<C>	<C>	<C>	<C>
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403	\$ 45,260	41,229
Depreciation (real estate related)	119,416	107,928	75,614	27,360	18,566
Joint venture adjustments	792	751	725	399	321
Minority interest	1,759	1,975	1,770	--	--
Gain on sale of communities	(40,779)	(47,093)	(25,270)	(677)	(7,850)
Extraordinary items	--	--	245	1,183	2,356
Funds from Operations - Clarified Definition	\$ 252,013	\$ 196,058	\$ 148,487	\$ 73,525	\$ 54,622
Non-recurring items	--	16,782	--	--	--
Funds from Operations - Original Definition	\$ 252,013	\$ 212,840	\$ 148,487	\$ 73,525	\$ 54,622
Net cash provided by operating activities	\$ 294,818	\$ 250,066	\$ 193,478	\$ 93,649	\$ 65,841
Net cash used in investing activities	\$(282,584)	\$(264,619)	\$(617,685)	\$(421,420)	\$(261,033)
Net cash provided by financing activities	\$ 37,379	\$ 13,284	\$ 426,375	\$ 320,252	\$ 207,632

</TABLE>

- (3) Current Communities consist of all communities other than those which are still under construction and have not received a final certificate of occupancy.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Form 10-K, including the notes to the Company's consolidated financial statements, contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," and other similar expressions in this Form 10-K, that predict or indicate future events and trends or that do not relate to historical matters. In addition, information concerning the following are forward-looking statements:

- o the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- o the timing of lease-up and occupancy of apartment communities;
- o the pursuit of land on which we are considering future development;

- o cost, yield and earnings estimates; and
- o the development, implementation and use of management information systems.

We cannot assure the future results or outcomes of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. Some of the factors that could cause our 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:

- o we may be unsuccessful in managing our current growth in the number of apartment communities and the related growth of our business operations;
- o our previous or possible future expansion into new geographic market areas may not produce financial results that are consistent with our historical performance;
- o we may fail to secure development opportunities due to an inability to reach agreements with third parties or to obtain desired zoning and other local approvals;
- o we may abandon development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development and increases in the cost of capital;
- o construction costs of a community may exceed our original estimates;
- o we may not complete construction and lease-up of communities under development or redevelopment on schedule, resulting in increased interest expense, construction costs and reduced rental revenues;
- o occupancy rates and market rents may be adversely affected by local economic and market conditions which are beyond our control;
- o financing may not be available on favorable terms and our cash flow from operations and access to cost-effective capital may be insufficient for the development of our pipeline and could limit our pursuit of opportunities;
- o our cash flow may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness; and

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- o software applications and ancillary services being developed by companies in which we have invested may be unsuccessful in achieving their business plans or unsuccessful in obtaining additional funding, which could lead to a partial or complete loss of the investment in these companies.

You should read our consolidated financial statements and notes for the year ended December 31, 2000 included in this report in conjunction with the following discussion. You should also carefully review the section in Item 2 of this report that is captioned "Risks of Development and Redevelopment." These forward-looking statements represent our estimates and assumptions only as of the date of this report. We do not undertake to update these forward-looking statements, and you should not rely upon them after the date of this report.

#### Business Description and Community Information

AvalonBay is a Maryland corporation that has elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. We focus on the ownership and operation of upscale apartment communities (which generally command among the highest rents in their submarkets) in high barrier-to-entry markets of the United States. This is because we believe that the limited new supply of upscale apartment homes in these markets helps achieve more predictable growth in cash flows. These barriers-to-entry generally include a difficult and lengthy entitlement process with local jurisdictions and dense in-fill locations where zoned and entitled land is in limited supply. Our markets are located in Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the United States.

We are a fully-integrated real estate organization with in-house expertise in the following areas:

- o development and redevelopment;
- o construction and reconstruction;
- o leasing and management;
- o acquisition and disposition;
- o financing;

- o marketing; and
- o information technologies.

With our expertise and in-house capabilities, we believe we are well-positioned to continue to pursue opportunities to develop and acquire upscale apartment homes in our target markets. Our ability to pursue attractive opportunities, however, may be constrained by capital market conditions that limit the availability of cost-effective capital to finance these activities. We have limited our acquisition activity as compared to prior years due to these capital constraints, and we expect to direct most of our invested capital to new developments and redevelopments, rather than acquisitions, for the foreseeable future. See "Liquidity and Capital Resources" and "Future Financing and Capital Needs."

We believe apartment communities present an attractive investment opportunity compared to other real estate investments because a broad potential resident base results in relatively stable demand during all phases of a real estate cycle. We intend to pursue appropriate new investments, including new developments, redevelopments and acquisitions of communities, subject to the availability of cost-effective capital. We intend to pursue these investments in markets where constraints to new supply exist and where new household formations have outpaced multifamily permit activity in recent years.

Our real estate investments consist of current operating apartment communities, communities in various stages of development, and land or land options held for development. Our current operating communities are further distinguished as Established, Other Stabilized, Lease-Up or Redevelopment. A description of these categories and other related information is set forth above in Item 2.

At December 31, 2000, we had positioned our portfolio of Stabilized Communities (or, all Established Communities and Other Stabilized Communities), excluding communities owned by unconsolidated joint ventures, to an average physical occupancy level of 97.6%. Our strategy is to maximize total rental revenue through management of rental rates and occupancy levels. Our strategy of maximizing total rental revenue could lead to lower occupancy levels. Given the current high occupancy level of our portfolio, we believe that any rental revenue and net income gains from our Established Communities would be achieved primarily through higher rental rates and the lower average operating costs per apartment home that result from economies of scale due to national and regional growth of our portfolio. See "Property Management Strategy" in Item 1 of this report for further discussion of our strategy.

Recent Developments

Sales of Existing Communities. We seek to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

- o apply sufficient market and management presence to enhance revenue growth;
- o reduce operating expenses; and
- o leverage management talent.

To effect this increased concentration, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our variable rate unsecured credit facility. We sold the following communities during 1999 and 2000:

<TABLE>  
<CAPTION>

	Number of communities	Apartment homes	Net proceeds
	-----	-----	-----
1999			
<S>	<C>	<C>	<C>
Communities sold	16	4,464	\$ 255,618,000
Participating mortgage note sold	N/A	N/A	\$ 25,300,000
2000			
Communities sold	8	1,932	\$ 124,392,000

Since January 1, 2001, we have sold one additional community containing 226 apartment homes in connection with our capital redeployment strategy. The net proceeds from the sale of this community were approximately \$14,532,000. We intend to dispose of additional assets as described more fully under "Future Financing and Capital Needs."

Development, Redevelopment and Acquisition Activities. We began the development of six new communities during 2000. These communities are expected to contain a total of 1,520 apartment homes upon completion, and the total investment,

including land acquisition costs, is projected to be approximately \$331,900,000. Also, we completed the development of six new communities containing a total of 1,209 apartment homes for a total investment of \$175,200,000.

We also acquired three land parcels during 2000 on which construction has not yet commenced and entered into a land lease agreement on a fourth parcel. We expect to develop four new communities containing a

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total of 826 apartment homes on these parcels. The total investment in these communities, including land acquisition costs of \$19,170,000, is projected to be approximately \$195,000,000. In addition, we continue to hold three parcels of land purchased prior to January 2000 and expect to develop three new communities containing 604 apartment homes on these parcels.

We completed the redevelopment of four communities containing 1,455 apartment homes during 2000 for a total investment in redevelopment (i.e. excluding acquisition costs) of \$40,300,000.

As of March 1, 2001, we had acquired seven communities, containing 1,960 apartment homes, since the beginning of 2000 for approximately \$252,400,000. We acquired six of these communities in connection with a forward purchase agreement signed in 1997 with an unaffiliated party.

The development and redevelopment of communities involves risks that the investment will fail to perform in accordance with expectations. See "Risks of Development and Redevelopment" in Item 2 of this report for our discussion of these and other risks inherent in developing or redeveloping communities.

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#### Results of Operations and Funds from Operations

A comparison of our operating results for the years ended December 31, 2000 and December 31, 1999 as well as a comparison of our operating results for the years ended December 31, 1999 and December 31, 1998 follows:

		2000	1999	\$ Change	% Change	1999	1998	\$
Change	% Change							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Revenue:								
Rental income		\$ 571,943	\$ 504,567	\$ 67,376	13.4%	\$ 504,567	\$ 369,945	\$
134,622	36.4%							
Management fees		1,051	1,176	(125)	(10.6%)	1,176	1,377	
(201)	(14.6%)							
Other income		401	236	165	69.9%	236	81	
155	191.4%							
-----								
Total revenue		573,395	505,979	67,416	13.3%	505,979	371,403	
134,576	36.2%							
-----								
Expenses:								
Operating expenses, excluding								
property taxes		142,664	135,517	7,147	5.3%	135,517	104,346	
31,171	29.9%							
Property taxes		46,958	42,701	4,257	10.0%	42,701	31,775	
10,926	34.4%							
-----								
Total operating expenses		189,622	178,218	11,404	6.4%	178,218	136,121	
42,097	30.9%							
-----								
Net Operating Income		383,773	327,761	56,012	17.1%	327,761	235,282	
92,479	39.3%							
Other Expenses:								
Interest expense		83,609	74,699	8,910	11.9%	74,699	54,650	
20,049	36.7%							
Depreciation and amortization		122,610	109,759	12,851	11.7%	109,759	77,374	
32,385	41.9%							
General and administrative		13,013	9,592	3,421	35.7%	9,592	9,124	
468	5.1%							

Non-recurring charges	--	16,782	(16,782)	--	16,782	--	
16,782	--						
-----							
Total other expenses	219,232	210,832	8,400	4.0%	210,832	141,148	
69,684	49.4%						
-----							
Equity in income of unconsolidated joint ventures	2,428	2,867	(439)	(15.3%)	2,867	2,638	
229	8.7%						
Interest income	4,764	7,362	(2,598)	(35.3%)	7,362	3,508	
3,854	109.9%						
Minority interest in consolidated partnerships	(1,908)	(1,975)	67	3.4%	(1,975)	(1,770)	
(205)	(11.6%)						
-----							
Income before gain on sale of communities and extraordinary item	169,825	125,183	44,642	35.7%	125,183	98,510	
26,673	27.1%						
Gain on sale of communities	40,779	47,093	(6,314)	(13.4%)	47,093	25,270	
21,823	86.4%						
-----							
Income before extraordinary item	210,604	172,276	38,328	22.2%	172,276	123,780	
48,496	39.2%						
Extraordinary item	--	--	--	--	--	(245)	
245	--						
-----							
Net income	210,604	172,276	38,328	22.2%	172,276	123,535	
48,741	39.5%						
Dividends attributable to preferred stock	(39,779)	(39,779)	--	--	(39,779)	(28,132)	
(11,647)	(41.4%)						
-----							
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 38,328	28.9%	\$ 132,497	\$ 95,403	\$
37,094	38.9%						
=====							

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

Net income available to common stockholders increased \$38,328,000 (28.9%) to \$170,825,000 for the year ended December 31, 2000 compared to \$132,497,000 for the preceding year. Excluding non-recurring charges and gain on sale of communities, net income available to common stockholders increased by \$27,860,000 for the year ended December 31, 2000 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 2000 is primarily attributable to additional operating

income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.

As discussed in "Recent Developments - Sales of Existing Communities" and "Future Financing and Capital Needs," we have funded a significant portion of our development and redevelopment activities since 1998 through the sale of assets in certain markets where we have a limited presence. The short-term effect of a sale of a community is that net operating income will be negatively impacted because that community's contribution to net operating income has been eliminated and the development or redevelopment community in which the proceeds from the sale are being invested is not yet complete. Interest expense will also decrease as the proceeds from the sale of communities are initially used to repay amounts outstanding on our unsecured credit facility. The historical effect of this strategy has been that net operating income attributable to newly developed and redeveloped communities is higher than net operating income of assets identified for sale. We have generated approximately \$405 million in net proceeds from the sale of assets during 1999 and 2000, which represents approximately 10% of our total real estate assets as of December 31, 2000.

The increase in net operating income of \$56,012,000 for the year ended December 31, 2000 as compared to 1999 is attributable to:

- o an increase of \$50,254,000 related to communities where development activities, redevelopment activities or acquisitions were completed subsequent to January 1, 1999;
- o an increase of \$22,162,000 related to Established Communities;
- o a decrease of \$19,629,000 related to communities sold subsequent to January 1, 1999; and
- o an increase of \$3,225,000 related to all other communities.

Depreciation expense is impacted by the timing of asset sales and the completion of development or redevelopment activities. Gain on sale of communities is impacted by the number of assets sold in a given period and the carrying value of those assets.

Rental income increases are primarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities.

Overall Portfolio - The increase in rental income (\$67,376,000 or 13.4%) is primarily due to an increase in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 33,726 apartment homes for the year ended December 31, 1999 to 34,470 apartment homes for the year ended December 31, 2000 primarily as a result of development, redevelopment and acquisitions of new communities, offset by the sale of communities in 1999 and 2000. For the year ended December 31, 2000, the weighted average monthly revenue per occupied apartment home increased \$139 (11.2%) to \$1,381 compared to \$1,242 for the preceding year.

Established Communities - Rental revenue increases (\$25,911,000 or 8.9%) are due to market conditions that allowed for higher average rents and higher economic occupancy levels. For the year ended December 31, 2000, weighted average monthly revenue per occupied apartment home increased \$99 (7.8%) to \$1,376 compared to \$1,277 for the preceding year. The average economic occupancy increased from 96.6% for the year ended December 31, 1999 to 97.7% for the year ended December 31, 2000. Rental income from Established Communities in our Northern California region, which accounted for 34.1% of all Established Community rental income in 2000, increased by 12.4% from the preceding year.

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Management fees decreases (\$125,000 or 10.6%) are primarily due to a decline in the number of communities that we manage for third-parties.

Operating expenses, excluding property taxes increases (\$7,147,000 or 5.3%) are primarily a result of our disposition and capital redeployment strategy discussed above, and an increase in expense related to Established Communities. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Higher operating expenses, excluding property taxes (\$2,754,000 or 4.7%) are primarily the result of higher payroll, insurance, redecorating, and maintenance costs offset by lower utility and marketing costs.

Property tax increases (\$4,257,000 or 10.0%) are primarily the result of our disposition and capital redeployment strategy discussed above and an increase in operating expense related to Established Communities. Property taxes on Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - property tax increases (\$1,005,000 or 4.1%) are primarily a result of an adjustment in 1999 to eliminate accrued but unassessed taxes related to previously renovated communities. In addition, payments were made during 2000 in resolution of a dispute over property tax calculations from 1997 to present for one of our communities in the Northeast region.

Interest expense increases (\$8,910,000 or 11.9%) are primarily attributable to the \$136 million increase in total debt from December 31, 1999 to December 31, 2000, an increase in short-term interest rates in 2000 and a decrease in capitalized interest. Interest expense also increased from the issuance of unsecured notes, which reflects our strategy to mitigate the risk of floating rate debt by repaying floating rate debt under our unsecured credit facility (with relatively lower current interest rates) with fixed rate unsecured debt that has a higher current interest rate and a longer term to maturity.

General and administrative increases (\$3,421,000 or 35.7%) are primarily attributable to an increase in consulting costs as well as compensation expense for a senior officer, whose salary was expensed in 2000 but capitalized in 1999 while he served the company in a different capacity. Cost savings attained from a management reorganization in the first quarter of 1999 partially offset the



increase in expense.

Equity in income of unconsolidated joint ventures represents our share of net income or loss from joint ventures.

Interest income decreases (\$2,598,000 or 35.3%) are primarily from a decrease in interest from participating mortgage notes, including the Fairlane Woods participating mortgage note sold in the fourth quarter of 1999.

Gain on sale of communities decreases (\$6,314,000 or 13.4%) are due to a decrease in the number and asset value of communities sold during 2000 as compared to 1999.

Comparison of Year Ended December 31, 1999 to Year Ended December 31, 1998

Net income available to common stockholders increased \$37,094,000 (38.9%) to \$132,497,000 for the year ended December 31, 1999 compared to \$95,403,000 for the preceding year. Excluding non-recurring charges, gain on sale of communities and extraordinary items, net income available to common stockholders increased by \$31,808,000 for the year ended December 31, 1999 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 1999 is primarily

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attributable to additional operating income from communities gained from the merger of Avalon Properties and Bay Apartment Communities during June 1998. Additional operating income from newly developed or redeveloped communities and growth in operating income from Established Communities also contributed to the increase in net income.

Rental income increases are primarily attributable to revenue from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above, and improved operating results related to Established Communities.

Overall Portfolio - The increase in rental income (\$134,622,000 or 36.4%) is primarily due to an increase in the weighted average number of occupied apartment homes from 28,333 apartment homes for the year ended December 31, 1998 to 33,726 apartment homes for the year ended December 31, 1999. This increase is primarily a result of apartment homes from additional communities gained from the merger being part of the portfolio for all of 1999 as well as the development, redevelopment and acquisition of new communities. The increase was partially offset by the sale of communities in 1998 and 1999. For the year ended December 31, 1999, the weighted average monthly revenue per occupied apartment home increased \$160 (14.8%) to \$1,242 compared to \$1,082.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Rental revenue increased \$10,114,000 (4.1%) for the year ended December 31, 1999 compared to the preceding year. The increase is due to market conditions that allowed for higher average rents that were partially offset by lower economic occupancy levels. For the year ended December 31, 1999, weighted average monthly revenue per occupied apartment home increased \$52 (4.4%) to \$1,226 compared to \$1,174 for the preceding year. The average economic occupancy decreased from 96.9% for the year ended December 31, 1998 to 96.6% for the year ended December 31, 1999. Rental income increases from Established Communities in our Northern California region, which accounted for 37.4% of all Established Community rental income in 1999, were significantly less than other regions. During late 1998 and much of 1999, the Northern California sub-markets dependent on Silicon Valley employment softened. These sub-markets experienced reduced rental rate growth and occupancy declines as compared to other Northern California sub-markets and our other markets as a whole.

Management fees decreases (\$201,000 or 14.6%) are primarily due to a decline in the number of communities that we manage for third parties.

Operating expense, excluding property taxes increases (\$31,171,000 or 29.9%) are primarily due to operating expenses from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Operating expenses, excluding property taxes increased \$1,821,000 (3.7%) to \$50,912,000 for the year ended December 31, 1999 compared to \$49,091,000 for the preceding year. The net changes are the result of higher redecorating, maintenance, payroll and administrative costs offset by lower utility, marketing, and insurance costs.

Property tax increases (\$10,926,000 or 34.4%) are primarily due to expenses from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities. Property taxes on

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Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Property taxes decreased \$30,000 (0.1%) to \$21,197,000 for the year ended December 31, 1999 compared to \$21,227,000 for the preceding year. The decrease is primarily a result of revised base year tax assessments for previously renovated communities, which resulted in supplemental taxes that were lower than those originally projected.

Interest expense increases (\$20,049,000 or 36.7%) are primarily attributable to approximately \$600 million of debt assumed in connection with the merger, offset by an increase in capitalized interest.

Depreciation expense is impacted by the timing of asset sales and the completion of development or redevelopment activities.

General and administrative increases (\$468,000 or 5.1%) are primarily due to additional overhead from the combination of the two companies and related organizational structures, partially offset by a reorganization in February 1999 that reduced the management structure of the merged company.

Equity in income of unconsolidated joint ventures represents our share of net income from joint ventures.

Interest income increases (\$3,854,000 or 109.9%) are primarily from an increase in interest from participating mortgage notes, including the Fairlane Woods participating mortgage note acquired in the third quarter of 1998. The Fairlane Woods promissory note was sold in the fourth quarter of 1999.

Gain on sale of communities increases (\$21,823,000 or 86.4%) are due to an increase in the number and asset value of communities sold during 1999 as compared to 1998 as a result of the disposition strategy we implemented in the third quarter of 1998.

#### Funds from Operations

We consider Funds from Operations, or FFO, to be an appropriate measure of our operating performance because it helps investors understand our ability to incur and service debt and to make capital expenditures. We believe that to understand our operating results, FFO should be examined with net income as presented in the Consolidated Statements of Operations included elsewhere in this report. FFO for 2000 is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) (NAREIT) in October 1999, and is defined as:

- o net income or loss computed in accordance with generally accepted accounting principles (GAAP), except that excluded from net income or loss are gains or losses on sales of property and extraordinary (as defined by GAAP) gains or losses on debt restructuring;
- o plus depreciation of real estate assets; and
- o after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered an alternative to net income as an indication of our performance. FFO should also not be considered an alternative to net cash flows from operating activities as determined by GAAP as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

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For the year ended December 31, 2000, FFO increased to \$252,013,000 from \$196,058,000 for the comparable period of the preceding year. This increase is primarily attributable to additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.

FFO previously reported for the year ended December 31, 1999 excluded the effect on net income of a non-recurring restructuring charge of \$16,076,000, and Year 2000 remediation costs of \$706,000 in conformance with the NAREIT definition of FFO calculations then in effect, or the original definition. NAREIT issued a White Paper dated October 1999 that clarified the definition of FFO and the treatment of certain non-recurring charges. The clarified definition includes

the effect on net income of non-recurring charges in the calculation of FFO. Although we believe the comparison of FFO using the original definition represents a better guide to investors of comparable operations and growth between years, both FFO calculations are presented below for the years ended December 31, 2000 and 1999 (dollars in thousands):

<TABLE>  
<CAPTION>

	Years ended	
	2000	1999
<S>	<C>	<C>
Net income	\$ 210,604	\$ 172,276
Preferred dividends	(39,779)	(39,779)
Depreciation - real estate assets	119,416	107,928
Joint venture adjustments	792	751
Minority interest expense	1,759	1,975
Gain on sale of communities	(40,779)	(47,093)
	-----	-----
Funds from Operations - Clarified Definition (1)	\$ 252,013	\$ 196,058
Non-recurring charges (2)	--	16,782
	-----	-----
Funds from Operations - Original Definition (3)	\$ 252,013	\$ 212,840
	=====	=====
Net cash provided by operating activities	\$ 294,818	\$ 250,066
	=====	=====
Net cash used in investing activities	\$(282,584)	\$(264,619)
	=====	=====
Net cash provided by financing activities	\$ 37,379	\$ 13,284
	=====	=====

</TABLE>

- (1) Represents FFO calculated in accordance with NAREIT's October 1999 White Paper on FFO. Our calculation of FFO in accordance with NAREIT's clarified definition of FFO includes the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs.
- (2) Consists of \$16,076 related to management and other organizational changes announced during durring 1998 and \$706 for Year 2000 remediation costs. Previously, the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs were excluded from the calculation of FFO.
- (3) FFO calculated based on NAREIT's definition of FFO prior to the issuance of the October 1999 White Paper on FFO.

#### Capitalization of Fixed Assets and Community Improvements

Our policy with respect to capital expenditures is generally to capitalize only non-recurring expenditures. We capitalize improvements and upgrades only if the item:

- o exceeds \$15,000;
- o extends the useful life of the asset; and
- o is not related to making an apartment home ready for the next resident.

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Under this policy, virtually all capitalized costs are non-recurring, as recurring make-ready costs are expensed as incurred. Recurring make-ready costs include the following:

- o carpet and appliance replacements;
- o floor coverings;
- o interior painting; and
- o other redecorating costs.

We capitalize purchases of personal property, such as computers and furniture, only if the item is a new addition and the item exceeds \$2,500. We generally expense purchases of personal property made for replacement purposes. The application of these policies for the year ended December 31, 2000 resulted in non-revenue generating capitalized expenditures for Stabilized Communities of approximately \$225 per apartment home. For the year ended December 31, 2000, we charged to maintenance expense, including carpet and appliance replacements, related to Stabilized Communities approximately \$1,145 per apartment home. We anticipate that capitalized costs per apartment home will gradually rise as the average age of our communities increases.

#### Liquidity and Capital Resources

Liquidity. The primary source of liquidity is our cash flows from operations. Operating cash flows have historically been determined by:

- o the number of apartment homes;
- o rental rates;
- o occupancy levels; and
- o our expenses with respect to these apartment homes.

The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, particularly to changes in interest rates that are charged to us as changes in interest rates affect our decision as to whether to issue debt securities, borrow money and invest in real estate. Thus, changes in the capital markets environment may affect our plans for the undertaking of construction and development as well as acquisition activity.

Cash and cash equivalents increased \$49,613,000 to \$57,234,000 for the year ended December 31, 2000 compared to a decrease in cash and cash equivalents of \$1,269,000 to \$7,621,000 for the year ended December 31, 1999.

- o Net cash provided by operating activities totaled \$294,818,000 for the year ended December 31, 2000, an increase of \$44,752,000 provided over the same period of 1999. The increase was primarily attributable to additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.
- o Net cash used in investing activities totaled \$282,584,000 for the year ended December 31, 2000, an increase of \$17,965,000 used over the same period of 1999. The increase was primarily due to a reduction in the proceeds from the sale of communities.
- o Net cash provided by financing activities totaled \$37,379,000 for the year ended December 31, 2000, an increase of \$24,095,000 over the same period of 1999. The increase is primarily due to increased sales of unsecured notes partially offset by additional dividends paid and increased repayments of the unsecured credit facility.

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Cash and cash equivalents decreased \$1,269,000 to \$7,621,000 for the year ended December 31, 1999 compared to an increase of \$2,168,000 to \$8,890,000 for the year ended December 31, 1998.

- o Net cash provided by operating activities totaled \$250,066,000 for the year ended December 31, 1999, an increase of \$56,588,000 provided over the same period of 1998. The increase was primarily due to an increase in operating income from additional communities gained from the merger, and additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.
- o Net cash used in investing activities totaled \$264,619,000 for the year ended December 31, 1999, a decrease of \$353,066,000 used over the same period of 1998. The decrease in expenditures reflected increased sales of communities and decreased acquisitions, offset by increased construction and reconstruction activity. The decrease in acquisitions was attributable to a shift in our investment focus away from acquisitions and towards development opportunities that offer higher projected yields, primarily in response to the lack of available properties that met our increased yield requirements and the decrease in availability of cost-effective capital.
- o Net cash provided by financing activities totaled \$13,284,000 for the year ended December 31, 1999, a decrease of \$413,091,000 over the same period of 1998. The decrease was primarily due to our development activities increasingly being funded through the sale of existing communities as opposed to incurring debt or selling equity. This resulted in a reduction in the sale of unsecured notes as well as a reduction of outstanding amounts under our unsecured credit facility as proceeds from the sale of communities are initially used to repay amounts outstanding on our unsecured credit facility. Also, dividends paid increased as a result of additional common and preferred shares issued in connection with the merger.

We regularly review our short and long-term liquidity needs and the adequacy of Funds from Operations, as defined above, and other expected liquidity sources to meet these needs. We believe our principal short-term liquidity needs are to fund:

- o normal recurring operating expenses;
- o debt service payments;
- o the distributions required with respect to preferred stock;
- o the minimum dividend payments required to maintain our REIT qualification under the Internal Revenue Code of 1986; and
- o development and redevelopment activity in which we are currently engaged.

We anticipate that we can fully satisfy these needs from a combination of cash flows provided by operating activities and capacity under our unsecured credit facility.

We believe our principle long-term liquidity needs are the repayment of medium and long-term debt. We anticipate that no significant portion of the principal of any indebtedness will be repaid prior to maturity. If we do not have funds on hand sufficient to repay our indebtedness, it will be necessary for us to refinance this debt. This refinancing may be accomplished through additional debt financing, which may be collateralized by mortgages on individual communities or groups of communities, by uncollateralized private or public debt offerings or by additional equity offerings. We also anticipate having significant retained cash flow in each year such that some or all of any debt maturity can be satisfied from retained cash. Although we believe we will have the capacity to meet our long-term liquidity needs, we cannot assure you that additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms we consider satisfactory.

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Capital Resources. We intend to match the long-term nature of our real estate assets with long-term cost-effective capital to the extent permitted by prevailing market conditions. We have raised approximately \$625 million in capital market offerings since January 1999:

Date	Description of Offerings
-----	-----
January 1999	\$125 million medium-term notes
July 1999	\$150 million medium-term notes
July 2000	\$150 million medium-term notes
December 2000	\$200 million medium-term notes

We follow a focused strategy to help facilitate uninterrupted access to capital. This strategy includes:

- o hiring, training and retaining associates with a strong resident service focus, which should lead to higher rents, lower turnover and reduced operating costs;
- o managing, acquiring and developing upscale communities in locations where the availability of zoned and entitled land is limited to provide consistent, sustained earnings growth;
- o operating in markets with growing demand, as measured by household formation and job growth, and high barriers-to-entry. We believe these characteristics generally combine to provide a favorable demand-supply balance, which we believe will create a favorable environment for future rental rate growth while protecting existing and new communities from new supply. We expect this strategy to result in a high level of quality to the revenue stream;
- o maintaining a conservative capital structure, largely comprised of equity, and with modest, cost-effective leverage. We generally avoid secured debt except in order to obtain low cost, tax-exempt debt. We believe such a structure promotes an environment where current credit rating levels can be maintained;
- o following accounting practices that provide a high level of quality to reported earnings; and
- o providing timely, accurate and detailed disclosures to the investment community.

We believe these strategies provide a disciplined approach to capital access to help position us to fund portfolio growth.

Capital market conditions over the past several years have limited our access to cost-effective capital. See "Future Financing and Capital Needs" for a discussion of our response to the current capital markets environment. The following is a discussion of specific capital transactions, arrangements and agreements.

#### Variable Rate Unsecured Credit Facility

Our unsecured revolving credit facility is furnished by a consortium of banks and provides \$600,000,000 in short-term credit. We pay these banks an annual facility fee of \$900,000 in equal quarterly installments. The unsecured credit facility bears interest at varying levels tied to the London Interbank Offered Rate (LIBOR) based on ratings levels achieved on our unsecured notes and on a maturity selected by us. The current stated pricing is LIBOR plus 0.60% per annum. The unsecured credit facility matures in July 2001, however there are two one-year extension options, the first at our sole discretion and the second with the consent of the consortium of banks. Therefore, we may extend the maturity to at least July 2002. A competitive bid option is available for borrowings of up to \$400,000,000. This option allows banks that are part of the lender consortium to bid to provide us loans at a rate that is lower than the stated pricing provided by the unsecured credit facility. The competitive bid option may result in lower pricing if market conditions allow. Pricing under the competitive bid

option resulted in average pricing of LIBOR plus 0.50% for balances most recently placed under the competitive bid option. At March 1, 2001, \$0 was outstanding, \$82,753,000 was used to provide letters of credit and \$517,247,000 was available for

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borrowing under the unsecured credit facility. We intend to use borrowings under the unsecured credit facility for:

- o capital expenditures;
- o construction, development, reconstruction and redevelopment costs;
- o acquisitions;
- o credit enhancement for tax-exempt bonds; and
- o working capital purposes.

#### Interest Rate Protection Agreements

We are not a party to any long-term interest rate agreements, other than interest rate protection and swap agreements on approximately \$177 million of our variable rate tax-exempt indebtedness. We intend, however, to evaluate the need for long-term interest rate protection agreements as interest rate market conditions dictate, and we have engaged a consultant to assist in managing our interest rate risks and exposure.

#### Financing Commitments and Transactions Completed

In July 2000, we issued \$150,000,000 of unsecured medium-term notes. The notes have a coupon rate of 8.25% and will mature on July 15, 2008. We used the net proceeds of approximately \$148,989,000 to repay amounts outstanding under our unsecured credit facility.

In December 2000, we issued \$200,000,000 of unsecured medium-term notes. The notes have a coupon rate of 7.50% and will mature on December 15, 2010. We used the net proceeds of approximately \$197,242,000 to repay amounts outstanding under our unsecured credit facility, with the excess proceeds invested in cash equivalents.

#### Future Financing and Capital Needs

As of December 31, 2000, we had 16 new communities under construction either by us or by unaffiliated third parties with whom we have entered into forward purchase commitments. As of December 31, 2000, a total estimated cost of \$419,914,000 remained to be invested in these communities. In addition, we had four other communities under reconstruction, for which an estimated \$33,559,000 remained to be invested as of December 31, 2000.

Substantially all of the capital expenditures necessary to complete the communities currently under construction and reconstruction will be funded from:

- o the remaining capacity under our \$600,000,000 unsecured credit facility;
- o the net proceeds from sales of existing communities;
- o retained operating cash; and/or
- o the issuance of debt or equity securities.

We expect to continue to fund deferred development costs related to future developments from retained operating cash and borrowings under the unsecured credit facility. We believe these sources of capital will be adequate to take the proposed communities to the point in the development cycle where construction can begin.

We have observed and been impacted by a reduction in the availability of cost-effective capital since the third quarter of 1998. While the capital market environment has improved during 2000, we cannot assure

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you that cost-effective capital will be available to meet future expenditures required to begin planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right begins, we intend to arrange adequate financing to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write-off associated pursuit costs and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses.

Our liquidity could be adversely impacted by expanding development activities and/or reduced capital (as compared to prior years) available from asset sales. To meet the balance of our liquidity needs under such conditions, we would need to arrange additional capacity under our existing unsecured credit facility,

sell additional existing communities and/or issue additional debt or equity securities. While we believe we have the financial position to expand our short-term credit capacity and support our capital markets activity, we cannot assure you that we will be successful in completing these arrangements, sales or offerings. The failure to complete these transactions on a cost-effective basis could have a material adverse impact on our operating results and financial condition, including the abandonment of deferred development costs and a resultant charge to earnings.

To increase our concentration of communities in selected high barrier-to-entry markets, we are selling assets in certain submarkets and redeploying the proceeds. Under our disposition program, we solicit competing bids from unrelated parties for these individual assets and consider the sales price and tax ramifications of each proposal. We have disposed of nine communities since January 1, 2000 for net proceeds of approximately \$138,924,000. We intend to actively seek buyers for the remaining communities held for sale. However, we cannot assure you that these assets can be sold on terms that we consider satisfactory.

The remaining assets that we have identified for disposition include land, buildings and improvements and furniture, fixtures and equipment. Total real estate, net of accumulated depreciation, of all communities identified for sale at December 31, 2000 totaled \$208,118,000. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid from our net sales proceeds. Our Consolidated Statements of Operations include net income from the communities held for sale of \$11,568,000 and \$9,171,000 for the years ended December 31, 2000 and 1999, respectively.

Because the proceeds from the sale of communities are used initially to reduce borrowings under our unsecured credit facility, the immediate effect of a sale of a community is to have a negative effect on Funds from Operations. This is because the yield on a community that is sold exceeds the interest rate on the borrowings that are repaid from such net proceeds. Therefore, changes in the number and timing of dispositions, and the redeployment of the resulting net proceeds, may have a material and adverse effect on our Funds from Operations.

Debt Maturities

The following table details debt maturities for the next five years, excluding the unsecured credit facility:

<TABLE>  
<CAPTION>

(Dollars in thousands)

Maturities	Community	All-In	Principal	Balance Outstanding		Scheduled	
		interest	maturity	-----	-----	-----	-----
----	-----	rate (1)	date	12-31-99	12-31-00	2001	2002
2003							
<S>		<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Tax-Exempt Bonds							
Fixed Rate							
--	Avalon at Foxchase I	5.88%	Nov-2007	\$ 16,800	\$ 16,800	\$ --	\$ --
--	Avalon at Foxchase II	5.88%	Nov-2007	9,600	9,600	--	--
--	Fairway Glen	5.88%	Nov-2007	9,580	9,580	--	--
386	CountryBrook 417	7.87%	Mar-2012	19,264	18,934	357	
--	Waterford	5.88%	Aug-2014	33,100	33,100	--	--
--	Avalon at Mountain View	5.88%	Mar-2017	18,300	18,300	--	--
--	Avalon at Dulles	7.04%	Jul-2024	12,360	12,360	--	--
--	Avalon at Symphony Glen	7.00%	Jul-2024	9,780	9,780	--	--
373	Avalon View 397	7.55%	Aug-2024	18,795	18,465	350	
288	Avalon at Lexington 307	6.56%	Feb-2025	14,602	14,347	271	
288	Avalon at Nob Hill 308	5.80%	Jun-2025	20,263	20,013	268	
105	Avalon at Mission Viejo 112	5.50%	Jun-2025	7,445	7,354	98	
	Avalon Campbell	6.48%	Jun-2025	37,535	36,981	594	

637	684							
	Avalon Pacifica	6.48%	Jun-2025	17,026	16,775	270		
289	310							
	Barrington Hills	6.48%	Jun-2025	12,843	-- (2)	--		
--	--							
	Crossbrook	6.48%	Jun-2025	8,273	8,156	126		
136	146							
	Avalon Knoll	6.95%	Jun-2026	13,580	13,393	200		
214	230							
	Avalon Landing	6.85%	Jun-2026	6,721	6,626	101		
108	116							
	Avalon Fields	7.05%	May-2027	11,756	11,609	157		
169	180							
	Avalon West	7.73%	Dec-2036	8,632	8,579	57		
61	65							
-----				306,255	290,752	2,849		
3,054	3,272							
	Variable Rate							
	Avalon Devonshire		Dec-2025	27,305	27,305	--		
--	--							
	Avalon at Fairway Hills I		Jun-2026	11,500	11,500	--		
--	--							
	Avalon at Laguna Niguel		Mar-2009	10,400	10,400	--		
--	--							
	Avalon Greenbriar		May-2026	18,755	18,755	--		
--	--							
-----				67,960	67,960	--		
--	--							
	Conventional Loans:							
	Fixed Rate							
	\$100 Million unsecured notes	7.375%	Sep-2002	100,000	100,000	--		
100,000	--							
	\$50 Million unsecured notes	6.25%	Jan-2003	50,000	50,000	--		
--	50,000							
	\$100 Million unsecured notes	6.50%	Jul-2003	100,000	100,000	--		
--	100,000							
	\$125 Million medium-term notes	6.58%	Feb-2004	125,000	125,000	--		
--	--							
	\$100 Million unsecured notes	6.625%	Jan-2005	100,000	100,000	--		
--	--							
	\$50 Million unsecured notes	6.50%	Jan-2005	50,000	50,000	--		
--	--							
	\$150 Million unsecured notes	6.80%	Jul-2006	150,000	150,000	--		
--	--							
	\$110 Million unsecured notes	6.875%	Dec-2007	110,000	110,000	--		
--	--							
	\$50 Million unsecured notes	6.625%	Jan-2008	50,000	50,000	--		
--	--							
	\$150 Million medium-term notes	8.25%	Jul-2008	--	150,000	--		
--	--							
	\$150 Million medium-term notes	7.50%	Aug-2009	150,000	150,000	--		
--	--							
	\$200 Million medium-term notes	7.50%	Dec-2010	--	200,000	--		
--	--							
	Avalon Redmond Place	7.31%	May-2001	11,272	11,042	11,042		
--	--							
	Avalon Pines	8.00%	Dec-2003	5,226	-- (2)	--		
--	--							
	Avalon at Pruneyard	7.25%	May-2004	12,870	12,870	--		
--	--							
	Govenor's Square	7.65%	Aug-2004	13,923	-- (2)	--		
--	--							
	Avalon Walk II	8.93%	Aug-2004	12,541	12,300	264		
288	315							
-----				1,040,832	1,371,212	11,306		
100,288	150,315							
	Variable Rate-None			--	--	--		
--	--							
-----								
	Total indebtedness - excluding unsecured credit facility			\$1,415,047	\$ 1,729,924	\$ 14,155	\$	
	103,342 \$ 153,587			=====	=====	=====		
=====								

<CAPTION>

(Dollars in thousands)



Community	Scheduled Maturities		
	2004	2005	Thereafter
<S>	<C>	<C>	<C>
Tax-Exempt Bonds			
Fixed Rate			
Avalon at Foxchase I	\$ --	\$ --	\$ 16,800
Avalon at Foxchase II	--	--	9,600
Fairway Glen	--	--	9,580
CountryBrook	451	488	16,835
Waterford	--	--	33,100
Avalon at Mountain View	--	--	18,300
Avalon at Dulles	--	--	12,360
Avalon at Symphony Glen	--	--	9,780
Avalon View	425	455	16,465
Avalon at Lexington	326	347	12,808
Avalon at Nob Hill	331	355	18,463
Avalon at Mission Viejo	121	129	6,789
Avalon Campbell	733	786	33,547
Avalon Pacifica	332	356	15,218
Barrington Hills	--	--	--
Crossbrook	157	169	7,422
Avalon Knoll	246	263	12,240
Avalon Landing	124	132	6,045
Avalon Fields	193	207	10,703
Avalon West	70	75	8,251
	-----	-----	-----
	3,509	3,762	274,306
Variable Rate			
Avalon Devonshire	--	--	27,305
Avalon at Fairway Hills I	--	--	11,500
Avalon at Laguna Niguel	--	--	10,400
Avalon Greenbriar	--	--	18,755
	-----	-----	-----
	--	--	67,960
Conventional Loans:			
Fixed Rate			
\$100 Million unsecured notes	--	--	--
\$50 Million unsecured notes	--	--	--
\$100 Million unsecured notes	--	--	--
\$125 Million medium-term notes	125,000	--	--
\$100 Million unsecured notes	--	100,000	--
\$50 Million unsecured notes	--	50,000	--
\$150 Million unsecured notes	--	--	150,000
\$110 Million unsecured notes	--	--	110,000
\$50 Million unsecured notes	--	--	50,000
\$150 Million medium-term notes	--	--	150,000
\$150 Million medium-term notes	--	--	150,000
\$200 Million medium-term notes	--	--	200,000
Avalon Redmond Place	--	--	--
Avalon Pines	--	--	--
Avalon at Pruneyard	12,870	--	--
Govenor's Square	--	--	--
Avalon Walk II	11,433	--	--
	-----	-----	-----
	149,303	150,000	810,000
Variable Rate-None	--	--	--
	-----	-----	-----
Total indebtedness - excluding unsecured credit facility	\$ 152,812	\$ 153,762	\$1,152,266
	=====	=====	=====

</TABLE>

- (1) Includes credit enhancement fees, facility fees, trustees, etc.  
(2) The remaining loan balance was repaid in connection with the disposition of the property during 2000.

#### Inflation

Substantially all of our leases are for a term of one year or less. This may enable us to realize increased rents upon renewal of existing leases or the beginning of new leases. Short-term leases generally minimize our risk from the adverse effects of inflation, although these leases generally permit residents to leave at the end of the lease term without penalty. We believe that short-term leases, combined with relatively consistent demand, results in rents and cash flow which provide an attractive inflation hedge.

#### ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain financial market risks, the most predominant being

fluctuations in interest rates. Interest rate fluctuations are monitored by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. The effect of interest rate fluctuations historically has been small relative to other factors affecting operating results, such as rental rates and occupancy. The specific market risks and the potential impact on our operating results are described below.

Our operating results are affected by changes in interest rates as a result of borrowings under our variable rate unsecured credit facility as well as outstanding bonds with variable interest rates. We had \$67,960,000 and \$246,560,000 in variable rate debt (including mortgage notes payable and the unsecured credit facility) outstanding as of December 31, 2000 and 1999, respectively. If interest rates on the variable rate debt had been 100 basis points higher throughout 2000 and 1999, our annual interest costs would have increased by approximately \$2,500,000 and \$3,300,000, respectively, based on balances outstanding during the applicable years.

We currently use interest rate swap agreements to reduce the impact of interest rate fluctuations on certain variable rate indebtedness. Under swap agreements,

- o we agree to pay to a counterparty the interest that would have been incurred on a fixed principal amount at a fixed interest rate (generally, the interest rate on a particular treasury bond on the date the agreement is entered into, plus a fixed increment), and
- o the counterparty agrees to pay to us the interest that would have been incurred on the same principal amount at an assumed floating interest rate tied to a particular market index.

As of December 31, 2000, the effect of swap agreements is to fix the interest rate on approximately \$177 million of our variable rate tax-exempt debt. Furthermore, swap agreements fix the interest rate on approximately \$23 million of unconsolidated variable rate debt as of December 31, 2000. The swap agreements were not electively entered into by us but, rather, were a requirement of either the bond issuer or the credit enhancement provider related to certain of our tax-exempt bond financings. Because the counterparties providing the swap agreements are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group and the interest rates fixed by the swap agreements are significantly higher than current market rates for such agreements, we do not believe there is exposure at this time to a default by a counterparty provider.

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#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this Item 8 is included as a separate section of this Annual Report on Form 10-K.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Information pertaining to directors and executive officers of the registrant is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

#### ITEM 11. EXECUTIVE COMPENSATION

Information pertaining to executive compensation is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information pertaining to security ownership of management and certain beneficial owners of the registrant's Common Stock is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information pertaining to certain relationships and related transactions is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

14(a)(1) Financial Statements

Index to Financial Statements

Consolidated Financial Statements and Financial Statement Schedule:

Report of Independent Accountants F-1

Consolidated Balance Sheets as of December 31, 2000 and 1999 F-2

Consolidated Statements of Operations for  
the years ended December 31, 2000, 1999 and 1998 F-3

Consolidated Statements of Stockholders' Equity for  
the years ended December 31, 2000, 1999 and 1998 F-4

Consolidated Statements of Cash Flows for  
the years ended December 31, 2000, 1999 and 1998 F-5

Notes to Consolidated Financial Statements F-6

14(a)(2) Financial Statement Schedule

Schedule III - Real Estate and Accumulated Depreciation F-28

14(a)(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as a part of this report.

14(b) Reports on Form 8-K

On October 23, 2000, the Company filed a Report on Form 8-K for the purpose of furnishing, under Item 9 thereof, information that AvalonBay intended to present to current and prospective stockholders and other persons and institutions.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1 --	Distribution Agreement, dated December 21, 1998, among the Company and the Agents, including Administrative Procedures, relating to the MTNs. (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on December 21, 1998.)
1.2 --	First Amendment, dated as of June 27, 2000, to Distribution Agreement, dated December 21, 1998, among the Company and the Agents. (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed on July 11, 2000.)
3(i).1 --	Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities, Inc. (the "Company"), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-Q of the Company filed August 14, 1998.)
3(i).2 --	Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3.1(ii) to Form 8-K of the Company filed on October 6, 1998.)
3(i).3 --	Articles Supplementary, dated as of October 13, 1998, relating to the 8.70% Series H Cumulative Redeemable Preferred Stock. (Incorporated by reference to Exhibit 1 to Form 8-A of the Company filed October 14, 1998.)
3(ii).1 --	Bylaws of the Company, as amended and restated, dated as of July 24, 1998. (Incorporated by reference to Exhibit 3(ii).1

to Form 10-Q of the Company filed August 14, 1998.)

- 3(ii).2 -- Amendment to Bylaws of the Company, dated February 10, 1999. (Incorporated by reference to Exhibit 3(ii).2 to Form 10-K of the Company filed March 31, 1999.)
- 3(ii).3 -- Amendment to Bylaws of the Company, dated May 5, 1999. (Incorporated by reference to Exhibit 3(ii).3 to Form 10-Q of the Company filed on August 16, 1999.)
- 4.1 -- Indenture of Avalon Properties, Inc. (hereinafter referred to as "Avalon Properties") dated as of September 18, 1995. (Incorporated by reference to Form 8-K of Avalon Properties dated September 18, 1995.)
- 4.2 -- First Supplemental Indenture of Avalon Properties dated as of September 18, 1995. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K dated September 18, 1995.)
- 4.3 -- Second Supplemental Indenture of Avalon Properties dated as of December 16, 1997. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed January 26, 1998.)
- 4.4 -- Third Supplemental Indenture of Avalon Properties dated as of January 22, 1998. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed on January 26, 1998.)
- 4.5 -- Indenture, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company filed on January 21, 1998.)

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EXHIBIT NO.	DESCRIPTION
4.6	-- First Supplemental Indenture, dated as of January 20, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on January 21, 1998.)
4.7	-- Second Supplemental Indenture, dated as of July 7, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on July 9, 1998.)
4.8	-- Third Supplemental Indenture, dated as of December 21, 1998 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note (Incorporated by reference to Exhibit 4.4 to Form 8-K filed on December 21, 1998.)
4.9	-- Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note. (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on July 11, 2000.)
4.10	-- Dividend Reinvestment and Stock Purchase Plan of the Company filed September 14, 1999. (Incorporated by reference to Form S-3 of the Company, File No. 333-87063.)
4.11	-- Amendment to the Company's Dividend Reinvestment and Stock Purchase Plan filed on December 17, 1999. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(2) of the Securities Act of 1933 on December 17, 1999.)
4.12	-- Shareholder Rights Agreement, dated March 9, 1998 (the "Rights Agreement"), between the Company and First Union National Bank (as successor to American Stock Transfer and Trust Company) as Rights Agent (including the form of Rights Certificate as Exhibit B). (Incorporated by reference to Exhibit 4.1 to Form 8-A of the Company filed March 11, 1998.)
4.13	-- Amendment No. 1 to the Rights Agreement, dated as of February 28, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4.2 to Form 8-A/A of the Company filed February 28, 2000.)
10.1+	-- Employment Agreement, dated as of March 9, 1998, between the

Company and Richard L. Michaux (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed on August 16, 1999.)

10.2+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Robert H. Slater (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Robert H. Slater. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed on August 16, 1999.)

10.3+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Thomas J. Sargeant. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed August 14, 1998.)

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EXHIBIT  
NO.

DESCRIPTION

10.4+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Bryce Blair (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Bryce Blair. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed on August 16, 1999.)

10.5+ -- Employment Agreement, dated as of February 26, 2001, between the Company and Timothy J. Naughton. (Filed herewith.)

10.6+ -- Letters of clarification, dated as of July 30, 1999, to the Employment Agreements of Messrs. Michaux, Blair and Slater. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed on August 16, 1999.)

10.7+ -- Letter agreement regarding departure, dated as of August 26, 1999, by and between the Company and Debra L. Shotwell (Incorporated by reference to Exhibit 10.41 to Form 10-K of the Company filed on March 10, 2000) and Employment Agreement, dated as of March 9, 1998, between the Company and Debra L. Shotwell. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed May 15, 1998.)

10.8+ -- Letter Agreement regarding departure, dated February 26, 2001, by and between the Company and Robert H. Slater. (Filed herewith.)

10.9+ -- Separation Agreement, dated as of April 15, 1999, by and between the Company and Jeffrey B. Van Horn (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed on August 16, 1999) and Employment Agreement, dated as of March 9, 1998, between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed May 15, 1998.)

10.10+ -- Separation Agreement, dated as of May 27, 1999, by and between the Company and Charles H. Berman (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company filed on August 16, 1999) and Employment Agreement, dated as of March 9, 1998, between the Company and Charles H. Berman. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed August 14, 1998.)

10.11+ -- Mutual Release and Separation Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed on May 15, 2000.)

10.12+ -- Retirement Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed on May 15, 2000.)

10.13+ -- Consulting Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed on May 15, 2000.)

10.14+ -- Avalon Properties, Inc. 1993 Stock Option and Incentive Plan.  
(Filed herewith.)

10.15+ -- Avalon Properties, Inc. 1995 Equity Incentive Plan. (Filed  
herewith.)

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EXHIBIT  
NO.

DESCRIPTION

10.16+ -- Amendment, dated May 6, 1999, to the Avalon Properties Amended  
and Restated 1995 Equity Incentive Plan. (Incorporated by  
reference to Exhibit 10.7 to Form 10-Q of the Company filed on  
August 16, 1999.)

10.17+ -- AvalonBay Communities, Inc. 1994 Stock Incentive Plan, as  
amended and restated on April 13, 1998, and subsequently  
amended on July 24, 1998 (incorporated by reference to Exhibit  
10.1 to the Company's Form 10-Q filed November 16, 1998) and  
amendment thereto, dated May 6, 1999 (Incorporated by  
reference to Exhibit 10.8 to Form 10-Q of the Company filed on  
August 16, 1999).

10.18+ -- 1996 Non-Qualified Employee Stock Purchase Plan, dated June  
26, 1997, as amended and restated. (Incorporated by reference  
to Exhibit 99.1 to Post-effective Amendment No. 1 to Form S-8  
of the Company filed June 26, 1997, File No. 333-16837.)

10.19+ -- 1996 Non-Qualified Employee Stock Purchase Plan - Plan  
Information Statement dated June 26, 1997. (Incorporated by  
reference to Exhibit 99.2 to Form S-8 of the company, File No.  
333-16837.)

10.20 -- Registration Rights Agreement, dated as of September 23, 1997,  
between the Company and certain defined Holders of units of  
limited partnership interests in Bay Pacific Northwest, L.P.  
(Incorporated by reference to Exhibit 10.2 to Form 8-K of the  
Company filed October 28, 1997.)

10.21 -- Form of Agreement of Limited Partnership of Bay Countrybrook,  
L.P., by and among Bay GP, Inc., the Company and certain other  
defined Persons. (Incorporated by reference to Exhibit 10.5 to  
Form 8-K/A of the Company filed July 5, 1996.)

10.22 -- Agreement of Limited Partnership of Bay Pacific Northwest,  
L.P. dated as of September 12, 1997, between the Company and  
certain other defined Persons. (Incorporated by reference to  
Exhibit 10.1 to Form 8-K of the Company filed October 28,  
1997.)

10.23+ -- Promissory Note and Pledge and Security Agreement between the  
Company and Samuel B. Fuller, dated June 15, 2000. (Filed  
herewith.)

10.24 -- Indemnification Agreements between the Company and the  
Directors of the Company (Incorporated by reference to Exhibit  
10.39 to Form 10-K of the Company filed on March 31, 1999.)

10.25+ -- The Company's Officer Severance Plan. (Incorporated by  
reference to Exhibit 10.1 to the Company's Current Report on  
Form 8-K filed on July 11, 2000.)

12.1 -- Statements re: Computation of Ratios.

21.1 -- Schedule of Subsidiaries of the Company.

23.1 -- Consent of Arthur Andersen LLP.

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- - - - -  
+ Management contract or compensatory plan or arrangement required to be filed  
or incorporated by reference as an exhibit to this Form 10-K pursuant to Item  
14(c) of Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities

Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

Date: March 21, 2001

By: /s/ RICHARD L. MICHAUX

-----  
Richard L. Michaux, Executive Chairman  
of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 21, 2001

By: /s/ RICHARD L. MICHAUX

-----  
Richard L. Michaux, Executive Chairman  
of the Board, Director (Principal  
Executive Officer)

Date: March 21, 2001

By: /s/ THOMAS J. SARGEANT

-----  
Thomas J. Sargeant, Chief Financial  
Officer and Executive VP (Principal  
Financial and Accounting Officer)

Date: March 21, 2001

By: /s/ BRUCE A. CHOATE

-----  
Bruce A. Choate, Director

Date: March 21, 2001

By: /s/ MICHAEL A. FUTTERMAN

-----  
Michael A. Futterman, Director

Date: March 21, 2001

By: /s/ JOHN J. HEALY, JR.

-----  
John J. Healy, Jr., Director

Date: March 21, 2001

By: /s/ GILBERT M. MEYER

-----  
Gilbert M. Meyer, Director

Date: March 21, 2001

By: /s/ BRENDA J. MIXSON

-----  
Brenda J. Mixson, Director

Date: March 21, 2001

By: /s/ LANCE R. PRIMIS

-----  
Lance R. Primis, Director

Date: March 21, 2001

By: /s/ ALLAN D. SCHUSTER

-----  
Allan D. Schuster, Director

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#### Report of Independent Public Accountants

To the Board of Directors and Stockholders of  
AvalonBay Communities, Inc.:

We have audited the accompanying consolidated balance sheets of AvalonBay Communities, Inc. (a Maryland corporation, the "Company") and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AvalonBay Communities, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years

ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Real Estate and Accumulated Depreciation is presented for purposes of complying with the rules of the Securities and Exchange Commission and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

Vienna, Virginia  
January 17, 2001

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AVALONBAY COMMUNITIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except share data)

	12-31-00	
<TABLE>		
<CAPTION>		
12-31-99	-----	
-----		
<S>	<C>	
<C>		
ASSETS		
Real estate:		
Land	\$ 742,863	\$
663,007		
Buildings and improvements	3,047,560	
2,942,866		
Furniture, fixtures and equipment	98,880	
82,467		
-----		
3,688,340	3,889,303	
Less accumulated depreciation	(316,045)	
(206,962)		
-----		
Net operating real estate	3,573,258	
3,481,378		
Construction in progress (including land)	418,583	
395,187		
Communities held for sale	208,118	
164,758		
-----		
Total real estate, net	4,199,959	
4,041,323		
Cash and cash equivalents	57,234	
7,621		
Cash in escrow	16,733	
8,801		
Resident security deposits	18,281	
14,113		
Investments in unconsolidated real estate joint ventures	12,215	
8,101		
Deferred financing costs, net	15,265	
14,056		
Deferred development costs	16,359	
12,938		
Participating mortgage notes	21,483	
21,483		
Prepaid expenses and other assets	39,696	
26,226		
-----		
Total assets	\$ 4,397,225	\$
4,154,662		
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unsecured notes	\$ 1,335,000	\$



985,000			
Variable rate unsecured credit facility		--	
178,600			
Mortgage notes payable		394,924	
430,047			
Dividends payable		47,572	
44,139			
Payables for construction		19,997	
18,874			
Accrued expenses and other liabilities		46,771	
40,226			
Accrued interest payable		32,829	
28,134			
Resident security deposits		28,138	
23,980			
-----		-----	
	Total liabilities	1,905,231	
1,749,000		-----	
-----			
Minority interest of unitholders in consolidated partnerships		49,501	
35,377			
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$.01 par value; \$25 liquidation value; 50,000,000			
shares authorized at both December 31, 2000 and 1999; 18,322,700			
shares outstanding at both			
December 31, 2000 and 1999		183	
183			
Common stock, \$.01 par value; 140,000,000 shares authorized at both December 31, 2000			
and 1999; 67,191,542 and 65,758,009 shares both issued and outstanding at			
December 31, 2000 and 1999, respectively		672	
658			
Additional paid-in capital		2,493,033	
2,442,510			
Deferred compensation		(3,550)	
(3,559)			
Dividends in excess of accumulated earnings		(47,845)	
(69,507)			
-----		-----	
	Total stockholders' equity	2,442,493	
2,370,285		-----	
-----			
	Total liabilities and stockholders' equity	\$ 4,397,225	\$
4,154,662		=====	

</TABLE>

See accompanying notes to consolidated financial statements.

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AVALONBAY COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per share data)

<TABLE>  
<CAPTION>

	Year ended		
	12-31-00	12-31-99	12-31-98
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue:			
Rental income	\$ 571,943	\$ 504,567	\$ 369,945
Management fees	1,051	1,176	1,377
Other income	401	236	81
	-----	-----	-----
Total revenue	573,395	505,979	371,403
	-----	-----	-----
Expenses:			
Operating expenses, excluding property taxes	142,664	135,517	104,346
Property taxes	46,958	42,701	31,775
Interest expense	83,609	74,699	54,650
Depreciation and amortization	122,610	109,759	77,374

General and administrative	13,013	9,592	9,124
Non-recurring charges	--	16,782	--
	-----	-----	-----
Total expenses	408,854	389,050	277,269
	-----	-----	-----
Equity in income of unconsolidated joint ventures	2,428	2,867	2,638
Interest income	4,764	7,362	3,508
Minority interest in consolidated partnerships	(1,908)	(1,975)	(1,770)
	-----	-----	-----
Income before gain on sale of communities and extraordinary item	169,825	125,183	98,510
Gain on sale of communities	40,779	47,093	25,270
	-----	-----	-----
Income before extraordinary item	210,604	172,276	123,780
Extraordinary item	--	--	(245)
	-----	-----	-----
Net income	210,604	172,276	123,535
Dividends attributable to preferred stock	(39,779)	(39,779)	(28,132)
	-----	-----	-----
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403
	=====	=====	=====
Per common share - basic			
Income before extraordinary item (net of preferred dividends)	\$ 2.58	\$ 2.05	\$ 1.89
Extraordinary item	--	--	--
	-----	-----	-----
Income available to common stockholders	\$ 2.58	\$ 2.05	\$ 1.89
	=====	=====	=====
Per common share - diluted			
Income before extraordinary item (net of preferred dividends)	\$ 2.53	\$ 2.03	\$ 1.88
Extraordinary item	--	--	--
	-----	-----	-----
Income available to common stockholders	\$ 2.53	\$ 2.03	\$ 1.88
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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AVALONBAY COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Dollars in thousands, except share data)

<TABLE>  
<CAPTION>

	Shares issued		Amount	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance at 12-31-97	8,755,000	32,249,577	\$ 88	\$ 322
Net income	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--
Issuance of Common Stock, net of offering costs	--	1,273,554	--	13
Issuance of Preferred Stock, net of offering costs	4,000,000	--	40	--
Stock acquired in connection with the Merger of Bay and Avalon	6,922,786	29,008,909	69	290
Conversion of Preferred Stock to Common Stock	(1,355,086)	1,355,086	(14)	14
Amortization of deferred compensation	--	--	--	--
	-----	-----	-----	-----
Balance at 12-31-98	18,322,700	63,887,126	183	639
Net income	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--
Issuance of Common Stock	--	1,870,883	--	19
Amortization of deferred compensation	--	--	--	--
	-----	-----	-----	-----
Balance at 12-31-99	18,322,700	65,758,009	183	658

Net income	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--
Issuance of Common Stock	--	1,433,533	--	14
Amortization of deferred compensation	--	--	--	--
	-----	-----	-----	-----
Balance at 12-31-00	18,322,700	67,191,542	\$ 183	\$ 672
	=====	=====	=====	=====

<CAPTION>

	Additional paid-in capital	Deferred compensation	Dividends in excess of accumulated earning	Stockholders' equity
<S>	<C>	<C>	<C>	<C>
Balance at 12-31-97	\$ 987,638	\$ (3,265)	\$ (23,773)	\$ 961,010
Net income	--	--	123,535	123,535
Dividends declared to common and preferred stockholders	--	--	(167,878)	(167,878)
Issuance of Common Stock, net of offering costs	45,267	(4,346)	--	40,934
Issuance of Preferred Stock, net of offering costs	96,195	--	--	96,235
Stock acquired in connection with the Merger of Bay and Avalon	1,256,987	--	--	1,257,346
Conversion of Preferred Stock to Common Stock	--	--	--	--
Amortization of deferred compensation	--	3,255	--	3,255
	-----	-----	-----	-----
Balance at 12-31-98	2,386,087	(4,356)	(68,116)	2,314,437
Net income	--	--	172,276	172,276
Dividends declared to common and preferred stockholders	--	--	(173,667)	(173,667)
Issuance of Common Stock	56,423	(3,167)	--	53,275
Amortization of deferred compensation	--	3,964	--	3,964
	-----	-----	-----	-----
Balance at 12-31-99	2,442,510	(3,559)	(69,507)	2,370,285
Net income	--	--	210,604	210,604
Dividends declared to common and preferred stockholders	--	--	(188,942)	(188,942)
Issuance of Common Stock	50,523	(3,408)	--	47,129
Amortization of deferred compensation	--	3,417	--	3,417
	-----	-----	-----	-----
Balance at 12-31-00	\$ 2,493,033	\$ (3,550)	\$ (47,845)	\$ 2,442,493
	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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AVALONBAY COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	For the year ended		
	12-31-00	12-31-99	12-31-98
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 210,604	\$ 172,276	\$ 123,535
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	122,610	109,759	77,374
Amortization of deferred compensation	3,417	3,964	3,255
Decrease (increase) in investments in unconsolidated real estate joint ventures	1,280	(1,510)	1,139
Income allocated to minority interest in consolidated partnerships	1,908	1,975	1,770
Gain on sale of communities	(40,779)	(47,093)	(25,270)

Extraordinary item	--	--	245
Decrease (increase) in cash in operating escrows	1,144	(348)	2,172
Increase in resident security deposits, accrued interest receivable on participating mortgage notes, prepaid expenses and other assets	(21,059)	(310)	(14,383)
Increase in accrued expenses, other liabilities and accrued interest payable	15,693	11,353	23,641
	-----	-----	-----
Net cash provided by operating activities	294,818	250,066	193,478
	-----	-----	-----
Cash flows used in investing activities:			
Purchase and development of real estate	(432,408)	(516,261)	(713,200)
Proceeds from sale of communities, net of selling costs	124,392	255,618	118,025
Sale (acquisition) of participating mortgage note	--	25,300	(24,000)
Increase (decrease) in construction payables	1,123	(29,276)	26,052
Increase in cash in investing escrows	(9,076)	--	--
Proceeds received from real estate joint venture partner	33,385	--	--
Merger costs and related activities	--	--	(24,562)
	-----	-----	-----
Net cash used in investing activities	(282,584)	(264,619)	(617,685)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from sale of unsecured notes	350,000	275,000	350,000
Issuance of common and preferred stock, net of offering costs	36,203	53,275	137,169
Dividends paid	(185,509)	(172,333)	(126,247)
Net borrowings under (repayments of) unsecured credit facilities	(178,600)	(150,400)	75,695
Repayments of notes payable	(3,429)	(3,934)	(2,391)
Payment of deferred financing costs	(4,428)	(3,654)	(4,435)
Contributions from (distributions to) minority partners	23,142	(3,425)	(3,416)
Refinancings of notes payable	--	18,755	--
	-----	-----	-----
Net cash provided by financing activities	37,379	13,284	426,375
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	49,613	(1,269)	2,168
Cash and cash equivalents, beginning of year	7,621	8,890	6,722
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 57,234	\$ 7,621	\$ 8,890
	=====	=====	=====
Cash paid during period for interest, net of amount capitalized	\$ 72,712	\$ 60,705	\$ 31,405
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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Supplemental disclosures of non-cash investing and financing activities (dollars in thousands):

During the year ended December 31, 2000:

- o 1,520 units of limited partnership in DownREIT partnerships, valued at \$60, were issued in connection with an acquisition for cash and units pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o 304,602 units of limited partnership in DownREIT partnerships, valued at \$10,926, were redeemed for an equal number of shares of the Company's common stock.
- o Real estate assets valued at \$5,394 were contributed to a limited liability company in exchange for a 25% membership interest.
- o Common and preferred dividends declared but not paid totaled \$47,572.

During the year ended December 31, 1999:

- o 117,178 units of limited partnership in DownREIT partnerships, valued at \$4,614, were issued in connection with an acquisition for cash and units pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o 22,623 units of limited partnership in DownREIT partnerships, valued at \$868, were redeemed for an equal number of shares of the

- o Company's common stock.
- o Common and preferred dividends declared but not paid totaled \$44,139.

During the year ended December 31, 1998:

- o Avalon Properties, Inc. ("Avalon") merged into Bay Apartment Communities ("Bay"), whereupon Avalon ceased to exist and Bay legally succeeded to all of the assets and liabilities of Avalon. In these financial statements, the merger was accounted for under the purchase method of accounting. Bay, as the surviving legal entity, adopted the historical financial statements of Avalon, and therefore the historical financial statements for Avalon are presented prior to the merger. Bay's assets were recorded in the historical financial statements of Avalon, as of the date of the merger, at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. As a result, the financial statements presented reflect that, in connection with the merger, the following was assumed or acquired: debt of \$604,663; net other liabilities of \$25,239; cash and cash equivalents of \$1,419; and minority interest of \$9,020.
- o The Company assumed \$10,400 of debt and issued 104,222 units of limited partnership in DownREIT partnerships, valued at \$3,851, in connection with acquisitions.
- o 6,818 units of limited partnership in DownREIT partnerships, valued at \$173, were redeemed for an equal number of shares of the Company's common stock.
- o 950,064 shares of Series A Preferred Stock and 405,022 shares of Series B Preferred Stock were converted into an aggregate of 1,355,086 shares of Common Stock.
- o Common and preferred dividends declared but not paid totaled \$43,323.

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AVALONBAY COMMUNITIES, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Dollars in thousands, except per share data)

1. Organization and Significant Accounting Policies

Organization and Recent Developments

AvalonBay Communities, Inc. (the "Company," which term is often used to refer to AvalonBay Communities, Inc. together with its subsidiaries) is a Maryland corporation that has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The Company focuses on the ownership and operation of upscale apartment communities in high barrier-to-entry markets of the United States. These markets include Northern and Southern California and selected markets in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the country.

At December 31, 2000, the Company owned or held a direct or indirect ownership interest in 126 operating apartment communities containing 37,147 apartment homes in twelve states and the District of Columbia, of which four communities containing 2,211 apartment homes were under reconstruction. The Company also owned twelve communities with 3,484 apartment homes under construction and rights to develop an additional 33 communities that, if developed as expected, will contain an estimated 9,091 apartment homes.

During the year ended December 31, 2000:

- o The Company acquired six communities containing 1,627 apartment homes for an acquisition price of approximately \$200,500. Five of the communities were acquired pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o The Company completed development of six communities, containing 1,209 apartment homes for a total investment of approximately \$168,700.
- o The Company completed redevelopment of four communities, containing 1,455 apartment homes for a total investment in redevelopment (i.e., excluding acquisition costs) of \$40,300.

As further discussed in Note 7, "Communities Held for Sale", the Company has adopted a strategy of funding a portion of the Company's development and redevelopment activities with the proceeds available from the disposition of certain assets in markets that do not meet the Company's long-term strategic direction. In connection with this strategy, the Company sold eight communities in 2000 containing 1,932 apartment homes for net proceeds of approximately \$124,392. During 1999, the Company sold 16 communities containing 4,464 apartment homes and a participating mortgage note secured by a community for net proceeds of approximately \$280,918.

The Company is the surviving corporation from the merger (the "Merger") of Bay Apartment Communities, Inc. ("Bay") and Avalon Properties, Inc. ("Avalon") on June 4, 1998, where Avalon shareholders received a 0.7683 share of common stock of the Company for each share owned of Avalon common stock. The Merger was accounted for under the purchase method of accounting, with the historical financial statements for Avalon presented prior to the Merger. At that time, Avalon ceased to legally exist, and Bay as the surviving legal entity adopted the historical financial statements of Avalon. Consequently, Bay's assets were recorded in the historical financial statements of Avalon at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. In connection with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

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#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned partnerships and certain joint venture partnerships in addition to subsidiary partnerships structured as DownREITs. All intercompany balances and transactions have been eliminated in consolidation.

In each of the partnerships structured as DownREITs, either the Company or one of the Company's wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions per unit paid to the holders of units of limited partnership interests approximate the Company's current common stock dividend per share. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of the Company's common stock on the date of redemption. In lieu of a cash redemption of a limited partner's unit, the Company may elect to acquire any unit presented for redemption for one share of common stock.

The Company has minority interest investments in three technology companies. Realeum, Inc. ("Realeum"), Broadband Residential ("Broadband"), and Viva Group, Inc. ("Viva") are involved in the development and deployment of property management and leasing automation systems, broadband communications services for multifamily communities, and web based leasing software, respectively. The Company accounts for these unconsolidated entities in accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The Company applies the equity method of accounting to its investments in Realeum and the cost method of accounting to its investments in Broadband and Viva. As of December 31, 2000, the aggregate investment in Realeum, Broadband and Viva is \$3,600.

#### Revenue Recognition

Rental income related to leases is recognized when due from residents. In accordance with the Company's standard lease terms, rental payments are generally due on a monthly basis.

#### Real Estate

Significant expenditures which improve or extend the life of an asset are capitalized. The operating real estate assets are stated at cost and consist of land, buildings and improvements, furniture, fixtures and equipment, and other costs incurred during their development, redevelopment and acquisition. Expenditures for maintenance and repairs are charged to operations as incurred.

The capitalization of costs during the development of assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active development commences and ends when the asset is delivered and a final certificate of occupancy is issued. Cost capitalization during redevelopment of apartment homes (including interest and related loan fees, property taxes and other direct and indirect costs) begins when an apartment home is taken out-of-service for redevelopment and ends when the apartment home redevelopment is completed and the apartment home is placed in-service. The accompanying consolidated financial statements include a charge to expense for unrecoverable deferred development costs related to pre-development communities that are unlikely to be developed.

Depreciation is calculated on buildings and improvements using the straight-line method over their estimated useful lives, which range from seven to thirty years. Furniture, fixtures and equipment are generally depreciated using the straight-line method over their estimated useful lives, which range from three years (primarily computer related equipment) to seven years.

Lease terms for apartment homes are generally one year or less. Rental income and operating costs incurred during the initial lease-up or post-redevelopment lease-up period are fully recognized as they accrue.

If there is an event or change in circumstance that indicates an impairment in the value of a community, the Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of the community over its remaining useful life, on an undiscounted basis, to the carrying amount of the community. If such carrying amounts are in excess of the estimated projected operating cash flows of the community, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value. The Company has not recognized an impairment loss in 2000, 1999 or 1998 on any of its real estate.

Income Taxes

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for the year ended December 31, 1994 and has not revoked such election. A corporate REIT is a legal entity which holds real estate interests and, if certain conditions are met (including but not limited to the payment of a minimum level of dividends to stockholders), the payment of federal and state income taxes at the corporate level is avoided or reduced. Management believes that all such conditions for the avoidance of taxes have been met for the periods presented. Accordingly, no provision for federal and state income taxes has been made.

The following summarizes the tax components of the Company's common and preferred dividends declared for the years ended December 31, 2000, 1999 and 1998:

<TABLE>  
<CAPTION>

	% of common dividends declared for:				
			(AvalonBay, post Merger)	(Avalon, prior to Merger)	(Bay, Merger)
	(AvalonBay) 2000	(AvalonBay) 1999	1998	1998	1998
<S> Ordinary income	<C> 86%	<C> 76%	<C> 77%	<C> 56%	<C> 77%
20% rate gain	9%	11%	9%	--	9%
Unrecaptured ss.1250 gain	5%	13%	14%	--	14%
Non-taxable return of capital	--	--	--	44%	--

<CAPTION>

	% of common dividends declared for:				
			(AvalonBay, post Merger)	(Avalon, prior to Merger)	(Bay, Merger)
	(AvalonBay) 2000	(AvalonBay) 1999	1998	1998	1998
<S> Ordinary income	<C> 86%	<C> 76%	<C> 100%	<C> 100%	<C> 100%
20% rate gain	9%	11%	--	--	--
Unrecaptured ss.1250 gain	5%	13%	--	--	--
Non-taxable return of capital	--	--	--	--	--

</TABLE>

(1) Information presented for Bay for periods prior to June 4, 1998 is unaudited.

Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain debt financing and are amortized on a straight-line basis, which approximates the effective interest method, over the shorter of the term of the loan or the

related credit enhancement facility, if applicable. Unamortized financing costs are written-off when debt is retired before the maturity date. Accumulated amortization on deferred financing costs were \$8,200 and \$7,156 on December 31, 2000 and 1999, respectively.

#### Cash, Cash Equivalent and Cash in Escrow

Cash and cash equivalents include all cash and liquid investments with an original maturity of three months or less from the date acquired. The majority of the Company's cash, cash equivalents, and cash in escrows is held at major commercial banks.

#### Earnings per Common Share

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", basic earnings per share for the years ended December 31, 2000, 1999 and 1998 is computed by dividing earnings available to common shares (net income less preferred stock dividends) by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company's earnings per common share for the years ended December 31, 2000, 1999 and 1998 are as follows:

<TABLE>  
<CAPTION>

	Year ended		
	12-31-00	12-31-99	12-31-98
<S>	<C>	<C>	<C>
Basic and Diluted shares outstanding			
Weighted average common shares - basic	66,309,707	64,724,799	50,387,258
Weighted average DownREIT units outstanding	861,755	933,122	725,948
Effect of dilutive securities	969,536	452,743	658,041
Weighted average common shares and DownREIT units - diluted	68,140,998	66,110,664	51,771,247
Calculation of Earnings per Share - Basic			
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403
Weighted average common shares - basic	66,309,707	64,724,799	50,387,258
Earnings per common share - basic	\$ 2.58	\$ 2.05	\$ 1.89
Calculation of Earnings per Share - Diluted			
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403
Add: Minority interest of DownREIT unitholders in consolidated partnerships	1,759	1,975	1,770
Adjusted net income available to common stockholders	\$ 172,584	\$ 134,472	\$ 97,173
Weighted average common shares and DownREIT units - diluted	68,140,998	66,110,664	51,771,247
Earnings per common share - diluted	\$ 2.53	\$ 2.03	\$ 1.88

</TABLE>

Certain options to purchase shares of common stock in the amount of 7,500, 2,282,192 and 2,643,190 were outstanding during 2000, 1999 and 1998, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

#### Non-recurring Charges

In February 1999, the Company announced certain management changes including (i) the departure of three senior officers who became entitled to severance benefits in accordance with the terms of their employment agreements with the Company dated as of March 9, 1998 and (ii) elimination of duplicate accounting functions and related employee departures. The Company recorded a non-recurring charge of \$16,076 in the first quarter of 1999 related to the expected costs associated with this management realignment and certain related organizational adjustments. The non-recurring charge consisted of \$15,476 in severance benefits, \$250 related to costs to eliminate duplicate accounting functions and \$350 in legal fees. As of December 31, 1999, the Company had a remaining liability of



approximately \$1,555 relating to these charges. All payments were made prior to December 31, 2000.

The non-recurring charge also includes Year 2000 remediation costs of \$706 that were incurred for the year ended December 31, 1999.

#### Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," and SFAS No. 138, "Accounting for Certain Instruments and Certain Hedging Activities, an amendment of Statement 133," is effective for the Company on January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that a change in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. For the Company's cash flow hedge transactions, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The ineffective portion of all hedges will be recognized in current period earnings. The Company adopted SFAS No. 133 on January 1, 2001 and recorded a cumulative effect adjustment of approximately a \$6 million gain in accumulated other comprehensive income to recognize all derivative instruments at fair value. The Company does not expect a material impact of adoption on its earnings.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB No. 101 effective with the March 31, 2000 reporting period, as required, and the adoption did not have a material effect on the Company's consolidated financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

#### Reclassifications

Certain reclassifications have been made to amounts in prior years' financial statements to conform with current year presentations.

#### 2. Merger Between Bay and Avalon

As discussed in Note 1, the Company is the surviving corporation from the Merger of Bay and Avalon on June 4, 1998. The following unaudited pro forma information has been prepared as if the Merger and related transactions had

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occurred on January 1, 1998. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been had the Merger been consummated on January 1, 1998, nor does it purport to represent the results of operations for future periods.

	Year ended (Unaudited) ----- 12-31-98
Pro forma total revenue	\$449,085 =====
Pro forma net income available to common stockholders	\$111,114 =====
Per common share:	
Pro forma net income - basic	\$ 1.74 =====
Pro forma net income - diluted	\$ 1.73 =====

#### 3. Interest Capitalized

Capitalized interest associated with communities under development or redevelopment totaled \$18,328, \$21,888, and \$14,724 for the years ended December 31, 2000, 1999 and 1998, respectively.

4. Mortgage Notes Payable, Unsecured Notes and Unsecured Credit Facility

The Company's mortgage notes payable, unsecured notes and unsecured credit facility are summarized as follows:

	12-31-00	12-31-99
	-----	-----
-		
<S>	<C>	<C>
Fixed rate unsecured notes	\$1,335,000	\$ 985,000
Fixed rate mortgage notes payable (conventional and tax-exempt)	326,964	362,087
Variable rate mortgage notes payable (tax-exempt)	67,960	67,960
	-----	-----
-		
Total mortgage notes payable and unsecured notes	1,729,924	1,415,047
Variable rate unsecured credit facility	--	178,600
	-----	-----
-		
Total mortgage notes payable, unsecured notes and unsecured credit facility	\$1,729,924	\$1,593,647
	=====	=====

Mortgage notes payable are collateralized by certain apartment communities and mature at various dates from May 2001 through December 2036. The weighted average interest rate of the Company's variable rate notes and unsecured credit facility was 5.6% at December 31, 2000. The weighted average interest rate of the Company's fixed rate notes (conventional and tax-exempt) was 7.0% and 6.9% at December 31, 2000 and 1999, respectively.

The maturity schedule for the Company's unsecured notes consists of the following:

Year of maturity	Principal	Interest rate
-----	-----	-----
2002	\$ 100,000	7.375%
2003	\$ 50,000	6.250%
	\$ 100,000	6.500%
2004	\$ 125,000	6.580%
2005	\$ 100,000	6.625%
	\$ 50,000	6.500%
2006	\$ 150,000	6.800%
2007	\$ 110,000	6.875%
2008	\$ 50,000	6.625%
	\$ 150,000	8.250%
2009	\$ 150,000	7.500%
2010	\$ 200,000	7.500%

The Company's unsecured notes contain a number of financial and other covenants with which the Company must comply, including, but not limited to, limits on the aggregate amount of total and secured indebtedness the Company may have on a consolidated basis and limits on the Company's required debt service payments.

Scheduled maturities of notes payable and unsecured notes are as follows for the years ending December 31:

Year of maturity	Scheduled maturity
-----	-----
2001	\$ 14,155
2002	103,342
2003	153,587
2004	152,812

2005	153,762
Thereafter	1,152,266
	-----
Total	\$ 1,729,924
	=====

The Company has a \$600,000 variable rate unsecured credit facility (the "unsecured credit facility") with Morgan Guaranty Trust Company of New York, Union Bank of Switzerland and Fleet National Bank serving as co-agents for a syndicate of commercial banks. The unsecured credit facility bears interest at a spread over the London Interbank Offered Rate ("LIBOR") based on rating levels achieved on the Company's unsecured notes and on a maturity selected by the Company. The current stated pricing is LIBOR plus 0.6% per annum (7.2% at December 31, 2000). In addition, the unsecured credit facility includes a competitive bid option (which allows banks that are part of the lender consortium to bid to make loans to the Company at a rate that is lower than the stated rate provided by the unsecured credit facility) for up to \$400,000. The Company is subject to certain customary covenants under the unsecured credit facility, including, but not limited to, maintaining certain maximum leverage ratios, a minimum fixed charges coverage ratio, minimum unencumbered assets and equity levels and restrictions on paying dividends in amounts that exceed 95% of the Company's Funds from Operations, as defined therein. The unsecured credit facility matures in July 2001 and has two, one-year extension options. The first extension is at the Company's sole election and the second extension requires the banks' consent.

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#### 5. Stockholders' Equity

As of both December 31, 2000 and 1999, the Company had authorized for issuance 140,000,000 and 50,000,000 of Common and Preferred Stock, respectively. Dividends on all series of issued Preferred Stock are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each month as stated in the table below. None of the series of Preferred Stock are redeemable prior to the date stated in the table below, but on or after the stated date, may be redeemed for cash at the option of the Company in whole or in part at a redemption price of \$25 per share, plus all accrued and unpaid dividends, if any. The series of Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemptions. In addition, the series of Preferred Stock are not convertible into any other securities of the Company and may be redeemed solely from proceeds of other capital stock of the Company, which may include shares of other series of preferred stock.

<TABLE> <CAPTION>	Shares outstanding	Payable	Annual	Liquidation	Non-
redeemable Series	December 31, 2000	quarterly	rate	preference	prior to
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
C 2002	2,300,000	March, June, September, December	8.50%	\$25	June 20,
D 2002	3,267,700	March, June, September, December	8.00%	\$25	December 15,
F 2001	4,455,000	February, May, August, November	9.00%	\$25	February 15,
G 2001	4,300,000	February, May, August, November	8.96%	\$25	October 15,
H 2008	4,000,000	March, June, September, December	8.70%	\$25	October 15,

</TABLE>

The Company also has 1,000,000 shares of Series E Junior Participating Cumulative Preferred Stock authorized for issuance pursuant to the Company's Shareholder Rights Agreement. As of December 31, 2000, there were no shares of Series E Preferred Stock outstanding.

#### 6. Investments in Unconsolidated Real Estate Joint Ventures

The Company accounts for investments in unconsolidated real estate entities in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The Company applies the equity method of accounting to an investment in an entity if it has the ability to significantly

influence that entity. All other unconsolidated real estate investments are recorded under the cost method of accounting.

At December 31, 2000, the Company's investments in unconsolidated real estate joint ventures consisted of:

- o a 50% limited liability company membership interest in a limited liability company that owns the Falkland Chase community;
- o a 49% general partnership interest in a partnership that owns the Avalon Run community;
- o a 50% limited liability company membership interest in a limited liability company that owns the Avalon Grove community;
- o a 25% limited liability company membership interest in a limited liability company that owns the Avalon Terrace community.

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The following is a combined summary of the financial position of these joint ventures as of the dates presented.

	(Unaudited)	
	12-31-00	12-31-99
	-----	-----
Assets:		
Real estate, net	\$132,832	\$ 94,644
Other assets	10,400	4,874
	-----	-----
Total assets	\$143,232	\$ 99,518
	=====	=====
Liabilities and partners' equity:		
Mortgage notes payable	\$ 48,400	\$ 26,000
Other liabilities	8,656	5,915
Partners' equity	86,176	67,603
	-----	-----
Total liabilities and partners' equity	\$143,232	\$ 99,518
	=====	=====

The following is a combined summary of the operating results of these joint ventures for the years presented:

	Year ended (Unaudited)		
	12-31-00	12-31-99	12-31-98
	-----	-----	-----
Rental income	\$ 22,222	\$ 20,781	\$ 19,799
Other income	57	26	26
Operating and other expenses	(6,110)	(5,657)	(5,591)
Mortgage interest expense	(1,107)	(773)	(833)
Depreciation and amortization	(3,202)	(3,091)	(3,044)
	-----	-----	-----
Net income	\$ 11,860	\$ 11,286	\$ 10,357
	=====	=====	=====

The Company also holds a 25% limited liability company membership interest in Avalon on the Sound, which is presented on a consolidated basis in the financial statements in accordance with GAAP.

#### 7. Communities Held for Sale

The Company has adopted a strategy of funding a portion of the Company's development and redevelopment activities with the proceeds available from the disposition of certain assets in markets that do not meet its long-term strategic direction. In connection with this strategy, the Company solicits competing bids from unrelated parties for individual assets, and considers the sales price and tax ramifications of each proposal. In 1998, the Company sold seven communities with a total of 2,039 apartment homes in connection with this strategy. Similarly, the Company sold sixteen communities with a total of 4,464 apartment homes and a participating mortgage note secured by a community in 1999.

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The communities sold during 2000 and the respective sales price and net proceeds are summarized below:

<TABLE>  
<CAPTION>

Communities	Location	Period of sale	Apartment homes	Debt	Gross sales price	Net proceeds
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Avalon Chase	Marlton, NJ	1Q00	360	\$ --	\$ 29,700	\$ 29,325
Avalon Pines	Virginia Beach, VA	2Q00	174	5,177	11,000	5,354
Avalon Birches	Chesapeake, VA	2Q00	312	--	21,000	20,773
Glen Creek	Morgan Hill, CA	3Q00	138	--	19,050	18,780
Avalon Woods	Richmond, VA	3Q00	268	--	12,100	11,814
Governor's Square	Sacramento, CA	3Q00	302	13,848	30,250	15,347
Avalon Westhaven	Seattle, WA	4Q00	190	--	12,625	12,126
Barrington Hills	Hayward, CA	4Q00	188	12,669	24,360	10,873
Total of all 2000 asset sales			1,932	\$ 31,694	\$160,085	\$124,392
Total of all 1999 asset sales			4,464	\$ 29,645	\$316,512	\$280,918
Total of all 1998 asset sales			2,039	\$ 50,030	\$126,200	\$ 73,900

</TABLE>

The following unaudited pro forma information has been prepared as if the communities sold in connection with the disposition strategy during 2000 and 1999 had been sold as of January 1, 1999. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been had the dispositions occurred as of January 1, 1999, nor does it purport to represent the results of operations for future periods.

	Year ended 12-31-00 (Unaudited)	Year ended 12-31-99 (Unaudited)
Pro forma revenue	\$ 562,894	\$ 463,905
Pro forma net income available to common stockholders	\$ 127,347	\$ 71,459
Per common share:		
Pro forma net income - basic	\$ 1.92	\$ 1.10
Pro forma net income - diluted	\$ 1.89	\$ 1.08

Management intends to market additional communities for sale. However, there can be no assurance that such assets will be sold, or that such sales will prove to be beneficial to the Company. The assets targeted for sale include land, buildings and improvements and furniture, fixtures and equipment, and are recorded at the lower of cost or fair value less estimated selling costs. The Company has not determined a need to recognize a write-down in its real estate to arrive at net realizable value, although there can be no assurance that the Company can sell these assets for amounts that equal or exceed its estimates of net realizable value. At December 31, 2000 and 1999, total real estate, net of accumulated depreciation, subject to sale totaled \$208,118 and \$164,758, respectively. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid by the Company from the net sales proceeds.

The Company's consolidated statements of operations include net income of the communities held for sale at December 31, 2000 of \$11,568, \$9,171, and \$6,417 for the years ended December 31, 2000, 1999 and 1998, respectively.

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## 8. Commitments and Contingencies

### Presale Commitments

The Company occasionally enters into forward purchase commitments with unrelated third parties, which allows the Company to purchase communities upon completion of construction. As of December 31, 2000, the Company has an agreement to purchase four communities with an estimated 1,301 homes for an aggregate purchase price of approximately \$199,200. The Company expects these acquisitions to close at different times through 2002. However, there can be no assurance that such acquisitions will be consummated on the terms currently contemplated or at all, or on the schedule currently contemplated. As of December 31, 2000, the Company had provided interim construction financing of \$123,400 for these communities, leaving the remaining balance to fund under these commitments of \$75,800.

## Insured Fire at Development Community

During 2000, a fire occurred at one of the Company's development communities, which was under construction and unoccupied at the time. The book value of the destroyed assets was reduced to zero from a balance of approximately \$13,900 at the time of the fire. The Company has property damage and business interruption insurance and is currently preparing its insurance claim for the cost of replacing the destroyed assets as well as for business interruption losses. At December 31, 2000, the Company had a remaining insurance receivable balance of \$6,900 which was equal to the value of the destroyed assets less insurance recoveries of \$7,000. The Company does not anticipate this event will have a material adverse impact on the financial condition or results of operations of the Company.

## Employment Agreements and Arrangements

The Company has employment agreements with four executive officers that it entered into in 1998. In addition, during 2000 and 2001, four other senior officers entered into employment agreements, which are generally similar in structure to those entered into in 1998 but which do not provide for the same level of severance payments. The employment agreements provide for severance payments in the event of a termination of employment (except for a termination by the Company with cause or a voluntary termination by the employee). The initial term of these agreements ends on dates that vary between June 2001 and February 2004. The employment agreements provide for one-year automatic renewals after the initial term unless an advance notice of non-renewal is provided by either party. Upon a change in control, the agreements provide for an automatic extension of up to three years. The employment agreements provide for base salary and incentive compensation in the form of cash awards, stock options and stock grants subject to the discretion of, and attainment of performance goals established by, the Compensation Committee of the Board of Directors.

The 1998 employment agreements also provide that base salary may be increased during the initial term in amounts determined by the Compensation Committee, and that during any renewal term base salary increases will be equal to the greater of 5% of the prior year's base salary, a factor based on increases in the consumer price index, or an amount determined at the discretion of the Compensation Committee.

In May 2000, a senior executive of the Company retired from his management position. Upon retirement, the former officer entered into a three year consulting and non-compete agreement under which the company is paying him an annual fee of approximately \$1,400.

During the fourth quarter of 1999, the Company adopted an Officer Severance Program (the "Program") for the benefit of those officers of the Company who do not have employment agreements. Under the Program, in the event an officer who is not otherwise covered by a severance arrangement is terminated without cause in connection with a change in control (as defined) of the Company, such officer will generally receive a cash lump sum payment equal to the amount of such officer's base salary and cash bonus.

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## Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, Management believes the final outcome of such matters will not have a material adverse effect on the financial position or results of operations of the Company.

## 9. Value of Financial Instruments

The Company has historically used interest rate swap agreements (the "Swap Agreements") to reduce the impact of interest rate fluctuations on its variable rate tax-exempt bonds. The Company has not entered into any interest rate hedge agreements or treasury locks for its conventional unsecured debt. The Swap Agreements are not held for trading or other speculative purposes. As of December 31, 2000, the effect of these Swap Agreements is to fix \$176,659 of the Company's tax-exempt debt at an average interest rate of 6.1% with an average maturity of six years.

The off-balance sheet risk in these contracts includes the risk of a counterparty not performing under the terms of the contract. The counterparties to these contracts are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group. The Company monitors the credit ratings of counterparties and the amount of the Company's debt subject to swap agreements with any one party. Therefore, the Company believes the likelihood of realizing material losses from counterparty nonperformance is remote.

Cash and cash equivalent balances are held with various financial institutions

and may at times exceed the applicable Federal Deposit Insurance Corporation limit. The Company monitors credit ratings of these financial institutions and the concentration of cash and cash equivalent balances with any one financial institution and believes the likelihood of realizing material losses from the excess of cash and cash equivalent balances over insurance limits is remote.

The following estimated fair values of financial instruments were determined by management using available market information and established valuation methodologies, including discounted cash flows. Accordingly, the estimates presented are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

- o Cash equivalents, rents receivable, accounts payable and accrued expenses, and other liabilities are carried at their face amounts, which reasonably approximate their fair values.
- o The Company's unsecured credit facility with an aggregate carrying value of \$0 and \$178,600 at December 31, 2000 and 1999, respectively, approximates fair value.
- o Bond indebtedness and notes payable with an aggregate carrying value of \$1,729,924 and \$1,415,047 had an estimated aggregate fair value of \$1,765,402 and \$1,346,288 at December 31, 2000 and 1999, respectively.

#### 10. Segment Reporting

The Company's reportable operating segments include Stable Communities, Developed Communities and Redeveloped Communities:

- o Stable Communities are communities that have attained stabilized occupancy levels and operating costs since the beginning of the prior calendar year or were acquired as stabilized after the beginning of the previous calendar year and remained stabilized throughout the end of the current calendar year. Stable Communities do not include

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communities where planned redevelopment or development activities have not yet commenced. The primary financial measure for this business segment is Net Operating Income ("NOI"), which represents total revenue less operating expenses and property taxes.

- o Developed Communities are communities which completed development and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield (defined as NOI divided by total capitalized costs).
- o Redeveloped Communities are communities that completed redevelopment and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield.

Other communities owned by the Company which are not included in the above segments are communities that were under development, redevelopment or lease-up at any point in time during the applicable calendar year. The primary performance measure for these assets depends on the stage of development or redevelopment of the community. While under development or redevelopment, Management monitors actual construction costs against budgeted costs as well as economic occupancy. While under lease-up, the primary performance measures for these assets are projected Operating Yield as defined above, lease-up pace compared to budget and rent levels compared to budget.

Net Operating Income for each community is generally equal to that community's contribution to Funds from Operations ("FFO"), except that interest expense related to indebtedness secured by an individual community and depreciation and amortization on non-real estate assets are not included in the community's NOI although such expenses decrease the Company's consolidated net income and FFO.

The segments are classified based on the individual community's status as of the beginning of the given calendar year. Therefore, each year the composition of communities within each business segment is adjusted. Accordingly, the amounts between years are not directly comparable.

The accounting policies applicable to the operating segments described above are the same as those described in the summary of significant accounting policies.

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<TABLE>  
<CAPTION>

Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
-----------------------	--------------------------	----------------------------	-------	-------

<S>	<C>	<C>	<C>	<C>	<C>
For the year ended December 31, 2000					
Total, All Segments					
Total revenue	\$ 315,773	\$ 101,166	\$ 35,895	\$ 118,242	\$ 571,076
Net Operating Income	\$ 229,121	\$ 76,374	\$ 23,620	\$ 80,960	\$ 410,075
Gross real estate	\$2,154,702	\$ 711,307	\$ 293,142	\$1,089,171	\$4,248,322
Operating Yield	10.6%	10.7%	8.1%		
Non-allocated operations					
Total revenue	\$ --	\$ --	\$ --	\$ 2,319	\$ 2,319
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,809	\$ 1,809
Gross real estate	\$ --	\$ --	\$ --	\$ 287,647	\$ 287,647
Total, AvalonBay					
Total revenue	\$ 315,773	\$ 101,166	\$ 35,895	\$ 120,561	\$ 573,395
Net Operating Income	\$ 229,121	\$ 76,374	\$ 23,620	\$ 82,769	\$ 411,884
Gross real estate	\$2,154,702	\$ 711,307	\$ 293,142	\$1,376,818	\$4,535,969
For the year ended December 31, 1999					
Total, All Segments					
Total revenue	\$ 346,021	\$ 32,898	\$ 29,340	\$ 95,681	\$ 503,940
Net Operating Income	\$ 240,945	\$ 24,631	\$ 21,016	\$ 62,167	\$ 348,759
Gross real estate	\$2,362,197	\$ 225,841	\$ 232,765	\$1,105,835	\$3,926,638
Operating Yield	10.2%	10.9%	9.0%		
Non-allocated operations					
Total revenue	\$ --	\$ --	\$ --	\$ 2,039	\$ 2,039
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,788	\$ 1,788
Gross real estate	\$ --	\$ --	\$ --	\$ 339,788	\$ 339,788
Total, AvalonBay					
Total revenue	\$ 346,021	\$ 32,898	\$ 29,340	\$ 97,720	\$ 505,979
Net Operating Income	\$ 240,945	\$ 24,631	\$ 21,016	\$ 63,955	\$ 350,547
Gross real estate	\$2,362,197	\$ 225,841	\$ 232,765	\$1,445,623	\$4,266,426
For the year ended December 31, 1998					
Total, All Segments					
Total revenue	\$ 266,371	\$ 13,032	\$ 5,907	\$ 83,927	\$ 369,237
Net Operating Income	\$ 183,799	\$ 9,572	\$ 3,744	\$ 54,516	\$ 251,631
Gross real estate	\$2,488,123	\$ 77,655	\$ 41,271	\$1,261,922	\$3,868,971
Operating Yield (1)	N/A	N/A	N/A		
Non-allocated operations					
Total revenue	\$ --	\$ --	\$ --	\$ 2,166	\$ 2,166
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,915	\$ 1,915
Gross real estate	\$ --	\$ --	\$ --	\$ 137,485	\$ 137,485
Total, AvalonBay					
Total revenue	\$ 266,371	\$ 13,032	\$ 5,907	\$ 86,093	\$ 371,403
Net Operating Income	\$ 183,799	\$ 9,572	\$ 3,744	\$ 56,431	\$ 253,546
Gross real estate	\$2,488,123	\$ 77,655	\$ 41,271	\$1,399,407	\$4,006,456

</TABLE>

- (1) Operating Yield for the year ended December 31, 1998 is not comparable to the years ended December 31, 2000 and 1999 due to the effects of the merger of Avalon into Bay during 1998.

Operating expenses as reflected on the Consolidated Statements of Operations include \$28,111, \$22,786 and \$18,264 for the years ended December 31, 2000, 1999 and 1998, respectively, of property management overhead costs that are not allocated to individual communities. These costs are not reflected in NOI as shown in the above tables. The amount reflected for "Communities held for sale"



on the Consolidated Balance Sheets is net of \$19,965 and \$18,141 of accumulated depreciation as of December 31, 2000 and 1999, respectively.

In June 1998, the Company completed the Merger. For comparative purposes, the 1998 segment information for the Company is presented below on a pro forma basis (unaudited) assuming the Merger had occurred as of January 1, 1998.

<TABLE>  
<CAPTION>

	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
For the year ended December 31, 1998					
Total revenue	\$ 254,213	\$ 51,570	\$ 24,173	\$ 116,837	\$ 446,793
Net Operating Income	\$ 173,570	\$ 38,895	\$ 16,950	\$ 75,404	\$ 304,819
Gross real estate	\$2,107,129	\$ 277,958	\$ 221,961	\$1,279,957	\$3,887,005

</TABLE>

#### 11. Stock-Based Compensation Plans

The Company has adopted the 1994 Stock Incentive Plan, as amended and restated (the "1994 Plan"), for the purpose of encouraging and enabling the Company's officers, associates and directors to acquire a proprietary interest in the Company and as a means of aligning management and stockholder interests and as a retention incentive for key associates. Individuals who are eligible to participate in the 1994 Plan include officers, other associates, outside directors and other key persons of the Company and its subsidiaries who are responsible for or contribute to the management, growth or profitability of the Company and its subsidiaries. The 1994 Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Internal Revenue Code, (ii) the grant of stock options that do not so qualify, (iii) grants of shares of restricted and unrestricted Common Stock, (iv) grants of deferred stock awards, (v) performance share awards entitling the recipient to acquire shares of Common Stock and (vi) dividend equivalent rights.

Under the 1994 Plan, a maximum of 2,500,000 shares of Common Stock, plus 9.9% of any net increase in the total number of shares of Common Stock actually outstanding from time to time after April 13, 1998, may be issued. Notwithstanding the foregoing, the maximum number of shares of stock for which Incentive Stock Options may be issued under the 1994 Plan shall not exceed 2,500,000 and no awards shall be granted under the 1994 Plan after April 13, 2008. For purposes of this limitation, shares of Common Stock which are forfeited, canceled and reacquired by the Company, satisfied without the issuance of Common Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Common Stock available for issuance under the 1994 Plan. Stock Options with respect to no more than 300,000 shares of stock may be granted to any one individual participant during any one calendar year period. Options granted to officers and employees under the 1994 Plan vest over periods determined by the Compensation Committee of the Board of Directors and expire ten years from the date of grant. Options granted to non-employee directors under the 1994 Plan are subject to accelerated vesting under certain limited circumstances and become exercisable on the first anniversary of the date of grant and expire ten years from the date of grant. Restricted stock granted to officers and employees under the 1994 Plan vest over periods determined by the Compensation Committee of the Board of Directors which is generally four years, with 20% vesting immediately on the grant date and the remaining 80% vesting equally over the next four years from the date of grant. Restricted stock granted to non-employee directors vests 20% on the date of issuance and 20% on each of the first four anniversaries of the date of issuance.

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Information with respect to stock options granted under the 1994 Plan is as follows:

	Shares	Weighted average exercise price per share
	-----	-----
Options outstanding, December 31, 1997 (1)	1,070,374	\$27.02
Exercised	(164,924)	21.71
Granted	1,225,132	36.81
Forfeited	(244,500)	35.25
	-----	-----
Options outstanding, December 31, 1998 (1)	1,886,082	\$32.74
Exercised	(311,989)	25.44
Granted	993,084	32.24
Forfeited	(533,903)	36.25
	-----	-----
Options outstanding, December 31, 1999	2,033,274	\$32.63

Exercised	(172,376)	34.78
Granted	631,795	34.56
Forfeited	(66,736)	33.50
	-----	-----
Options outstanding, December 31, 2000	2,425,957	\$32.96
	=====	=====

Options exercisable:

December 31, 1998	656,925	\$27.26
	=====	=====
December 31, 1999	682,110	\$30.33
	=====	=====
December 31, 2000	1,183,551	\$32.05
	=====	=====

(1) Information presented for Bay for periods prior to June 4, 1998 is unaudited.

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The following table summarizes information concerning currently outstanding and exercisable options:

<TABLE>  
<CAPTION>

Options Outstanding				Options Exercisable	
Exercise price	Number outstanding as of December 31, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
<S>	<C>	<C>	<C>	<C>	<C>
\$18.38	60,000	4.24	\$18.38	60,000	\$18.38
19.25	6,000	4.35	19.25	6,000	19.25
19.63	18,800	4.55	19.63	18,800	19.63
20.00	101,300	3.18	20.00	101,300	20.00
20.50	6,000	3.26	20.50	6,000	20.50
23.38	40,000	5.07	23.38	40,000	23.38
25.38	15,000	5.33	25.38	15,000	25.38
27.75	33,700	5.65	27.75	33,700	27.75
31.50	212,184	8.80	31.50	70,657	31.50
32.00	453,067	8.13	32.00	150,871	32.00
32.25	5,333	8.85	32.25	1,776	32.25
32.56	6,667	8.08	32.56	2,220	32.56
33.75	5,834	7.97	33.75	3,892	33.75
33.75	537,701	9.16	33.75	--	--
33.94	10,000	8.01	33.94	3,330	33.94
34.31	10,768	9.11	34.31	--	--
34.38	30,000	6.38	34.38	30,000	34.38
34.63	2,000	8.65	34.63	666	34.63
34.81	1,500	8.49	34.81	500	34.81
35.31	768	8.64	35.31	256	35.31
35.38	4,000	8.69	35.38	1,332	35.38
35.44	4,666	8.69	35.44	1,554	35.44
36.00	60,000	8.36	36.00	60,000	36.00
36.13	70,000	7.44	36.13	70,000	36.13
36.31	352,676	7.42	36.31	235,235	36.31
36.63	122,500	6.06	36.63	117,500	36.63
36.63	25,993	7.56	36.63	17,337	36.63
36.63	4,500	9.25	36.63	--	--
37.94	130,000	7.08	37.94	115,000	37.94
38.81	20,000	6.84	38.81	15,000	38.81
39.63	7,500	6.72	39.63	5,625	39.63
40.50	60,000	9.38	40.50	--	--
41.94	1,500	9.49	41.94	--	--
43.00	3,000	9.54	43.00	--	--
45.94	3,000	9.56	45.94	--	--
	-----	-----	-----	-----	-----
	2,425,957	7.69	\$32.96	1,183,551	\$32.05
	=====	=====	=====	=====	=====

</TABLE>

Options to purchase 3,123,713, 3,637,724 and 4,488,189 shares of Common Stock were available for grant under the 1994 Plan at December 31, 2000, 1999 and 1998, respectively.

Before the Merger, Avalon had adopted its 1995 Equity Incentive Plan (the "Avalon 1995 Incentive Plan"). The Avalon 1995 Incentive Plan authorized the grant of (i) stock options that qualified as incentive stock options under Section 422 of the Internal Revenue Code, (ii) stock options that did not so qualify, (iii) shares of restricted and unrestricted common stock, (iv) shares of unrestricted common stock and (v) dividend equivalent rights.

Under the Avalon 1995 Incentive Plan, a maximum number of 3,315,054 shares (or 2,546,956 shares as adjusted for the Merger) of common stock were issuable, plus any shares of common stock represented by awards under Avalon's 1993 Stock Option and Incentive Plan (the "Avalon 1993 Plan") that were forfeited, canceled, reacquired by Avalon, satisfied without the issuance of common stock or otherwise terminated (other than by exercise). Options granted to officers, non-employee directors and associates under the Avalon 1995 Incentive Plan generally

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vested over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant.

In connection with the Merger, the exercise prices and the number of options under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan were adjusted to reflect the equivalent Bay shares and exercise prices based on the 0.7683 share conversion ratio used in the Merger. Officers, non-employee directors and associates with Avalon 1995 Incentive Plan options may exercise their adjusted number of options for the Company's Common Stock at the adjusted exercise price.

Information with respect to stock options granted under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan is as follows:

	Shares	Weighted average exercise price per share
	-----	-----
Options outstanding, December 31, 1997	1,703,348	\$33.01
Exercised	(49,375)	36.12
Granted	464,227	37.60
Forfeited	(65,946)	38.00
	-----	-----
Options outstanding, December 31, 1998	2,052,254	\$34.05
Exercised	(172,977)	26.97
Granted	--	--
Forfeited	(50,940)	37.61
	-----	-----
Options outstanding, December 31, 1999	1,828,337	\$34.63
Exercised	(327,582)	28.65
Granted	--	--
Forfeited	(16,410)	35.84
	-----	-----
Options outstanding, December 31, 2000	1,484,345	\$35.94
	=====	=====
Options exercisable:		
December 31, 1998	1,014,530	\$30.26
	=====	=====
December 31, 1999	1,268,520	\$33.22
	=====	=====
December 31, 2000	1,313,219	\$35.71
	=====	=====

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The following table summarizes information concerning currently outstanding and exercisable options under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan:

<TABLE>  
<CAPTION>

Exercise price	Options Outstanding			Options Exercisable	
	Number outstanding as of December 31, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
\$26.19	7,683	4.37	\$26.19	7,683	\$26.19
26.68	211,037	2.86	26.68	211,037	26.68
26.68	3,842	2.86	26.68	3,842	26.68
27.33	11,232	4.35	27.33	11,232	27.33
27.33	2,305	5.04	27.33	2,305	27.33
27.33	1,152	6.95	27.33	1,152	27.33
28.15	7,019	5.48	28.15	7,019	28.15
28.31	15,366	5.36	28.31	15,366	28.31
30.10	2,305	3.37	30.10	2,305	30.10
30.26	1,921	5.69	30.26	1,921	30.26
34.98	5,762	5.96	34.98	5,762	34.98

35.31	15,366	6.36	35.31	15,366	35.31
36.61	29,197	7.41	36.61	19,474	36.61
36.69	1,921	7.32	36.69	1,281	36.69
37.18	3,682	7.36	37.18	2,456	37.18
37.26	128	7.27	37.26	86	37.26
37.58	355,000	7.18	37.58	236,785	37.58
37.66	24,483	6.87	37.66	24,483	37.66
38.15	777,773	6.82	38.15	737,773	38.15
39.29	1,408	6.96	39.29	1,408	39.29
39.70	1,921	6.80	39.70	1,921	39.70
39.86	3,842	7.00	39.86	2,562	39.86
-----					
	1,484,345	6.28	\$35.94	1,313,219	\$35.71
=====					

</TABLE>

As of June 4, 1998, the date of the Merger, options and other awards ceased to be granted under the Avalon 1993 Plan or the Avalon 1995 Incentive Plan. Accordingly, there were no options to purchase shares of Common Stock available for grant under the Avalon 1995 Incentive Plan at December 31, 2000, 1999 or 1998.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its Plans. Accordingly, no compensation expense has been recognized for the stock option portion of the stock-based compensation plan.

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Had compensation expense for the Company's stock option plan been determined based on the fair value at the grant date for awards under the Plan consistent with the methodology prescribed under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts (unaudited):

				Pro Forma		
				Year ended	Year ended	Year ended
				12-31-00	12-31-99	12-31-98
				-----	-----	-----
<S>	<C>	<C>	<C>			
Income before extraordinary item (net of preferred dividends)	\$ 168,058	\$ 130,882	\$ 93,066	=====	=====	=====
Net income available to common stockholders	\$ 168,058	\$ 130,882	\$ 92,821	=====	=====	=====
Per common share - basic						
Income before extraordinary item (net of preferred dividends)	\$ 2.53	\$ 2.02	\$ 1.84			
Extraordinary item	--	--	(0.00)	-----	-----	-----
Net income available to common stockholders	\$ 2.53	\$ 2.02	\$ 1.84	=====	=====	=====
Per common share - diluted						
Income before extraordinary item (net of preferred dividends)	\$ 2.49	\$ 2.01	\$ 1.83			
Extraordinary item	--	--	(0.00)	-----	-----	-----
Net income available to common stockholders	\$ 2.49	\$ 2.01	\$ 1.83	=====	=====	=====

</TABLE>

The fair value of the options granted during 2000 is estimated at \$3.76 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.51%, volatility of 15.93%, risk-free interest rates of 6.61%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1999 is estimated at \$3.40 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.10%, volatility of 17.04%, risk free interest rates of 5.54%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1998 is estimated at \$3.72 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 5.96%, volatility of 16.77%, risk free interest rates of 5.55%, actual number of forfeitures, and an expected life of approximately 3 years.

In connection with the Merger, the Company adopted the 1996 Non-Qualified Employee Stock Purchase Plan, as amended and restated (the "1996 ESP Plan"). The primary purpose of the 1996 ESP Plan is to encourage Common Stock ownership by eligible directors, officers and associates (the "Participants") in the belief that such ownership will increase each Participant's interest in the success of

the Company. Until January 1, 2000, the 1996 ESP Plan provided for two purchase periods per year. A purchase period was a six month period beginning each January 1 and July 1 and ending each June 30 and December 31, respectively. Starting January 1, 2000, there is one purchase period per year, which begins May 1 and ends October 31. Participants may contribute portions of their compensation during a purchase period and purchase Common Stock at the end thereof. One million shares of Common Stock are reserved for issuance under the 1996 ESP Plan. Participation in the 1996 ESP Plan entitles each Participant to purchase Common Stock at a price which is equal to the lesser of 85% of the closing price for a share of stock on the first day of such purchase period or 85% of the closing price on the last day of such purchase period. The Company issued 34,055, 35,408 and 23,396 shares under the 1996 ESP Plan for 2000, 1999 and 1998, respectively.

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12. Quarterly Financial Information (Unaudited)

The following summary represents the quarterly results of operations for the years ended December 31, 2000 and 1999:

<TABLE>  
<CAPTION>

	Three months ended			
	3-31-00	6-30-00	9-30-00	12-31-00
<S>	<C>	<C>	<C>	<C>
Total revenue	\$ 135,088	\$ 139,958	\$ 146,351	\$ 151,998
Net income available to common stockholders	\$ 37,227	\$ 40,712	\$ 48,550	\$ 44,336
Net income per common share - basic	\$ 0.57	\$ 0.62	\$ 0.73	\$ 0.66
Net income per common share - diluted	\$ 0.56	\$ 0.61	\$ 0.71	\$ 0.65

<CAPTION>

	Three months ended			
	3-31-99	6-30-99	9-30-99	12-31-99
<S>	<C>	<C>	<C>	<C>
Total revenue	\$ 118,946	\$ 123,188	\$ 131,108	\$ 132,737
Net income available to common stockholders	\$ 4,955	\$ 52,977	\$ 24,336	\$ 50,229
Net income per common share - basic	\$ 0.08	\$ 0.82	\$ 0.38	\$ 0.77
Net income per common share - diluted	\$ 0.08	\$ 0.81	\$ 0.38	\$ 0.76

</TABLE>

13. Subsequent Events (Unaudited)

In January 2001, the Company became a member of Constellation Real Technologies LLC, an entity formed by a number of real estate investment trusts and real estate operating companies for the purpose of investing in multi-sector real estate technology opportunities. The Company's capital commitment to Constellation Real Technologies is \$4,000.

In February 2001, the Company announced certain management changes including the promotion of Bryce Blair to chief executive officer and the departure of another executive. The Company expects to record a non-recurring charge in the first quarter of 2001 relating to the departure of this executive of approximately \$2,000.

During February 2001, the Company acquired Avalon Wynhaven pursuant to the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party. This community containing 333 apartment homes is located in the Seattle, Washington area, and was acquired for approximately \$51,909.

During February 2001, the Company sold Crossbrook, a 226 apartment home community located in the San Francisco, California area. The net proceeds of approximately \$14,532 were invested in cash equivalents and will ultimately be invested in development and redevelopment.

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SCHEDULE III

AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 2000  
(Dollars in thousands)

<TABLE>  
<CAPTION>

Initial Cost	Total Cost
-----	-----

	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
Current Communities						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Waterford	\$11,324	\$45,717	\$ 1,562	\$11,324	\$47,279	\$ 58,603
Hampton Place	10,746	43,399	441	10,746	43,840	54,586
Avalon Pleasanton	11,610	46,552	1,298	11,610	47,850	59,460
Avalon Dublin	5,276	19,642	1,797	5,276	21,439	26,715
Willow Creek	6,581	26,583	676	6,581	27,259	33,840
Avalon Fremont	4,271	17,282	489	4,271	17,771	22,042
Avalon at Union Square	4,249	16,820	561	4,249	17,381	21,630
Crowne Ridge	5,982	16,885	7,807	5,982	24,692	30,674
Sunset Towers	3,561	21,321	3,219	3,561	24,540	28,101
Avalon at Nob Hill	5,403	21,567	447	5,403	22,014	27,417
Avalon at Diamond Heights	4,726	19,130	312	4,726	19,442	24,168
Avalon Towers by The Bay	9,155	57,630	37	9,155	57,667	66,822
Crossbrook	3,389	12,721	2,967	3,389	15,688	19,077
Avalon at Cedar Ridge	4,230	9,659	11,629	4,230	21,288	25,518
Avalon Foster City	7,852	31,445	1,755	7,852	33,200	41,052
Avalon Pacifica	6,125	24,796	152	6,125	24,948	31,073
Avalon Silicon Valley	20,713	99,304	397	20,713	99,701	120,414
Avalon at Blossom Hill	11,933	48,313	462	11,933	48,775	60,708
Avalon Campbell	11,830	47,828	240	11,830	48,068	59,898
Countrybrook	9,384	34,794	3,529	9,384	38,323	47,707
Avalon at Pruneyard	3,414	15,469	12,818	3,414	28,287	31,701
Creekside	6,546	26,301	9,962	6,546	36,263	42,809
Avalon at River Oaks	8,904	35,126	1,870	8,904	36,996	45,900
Avalon at Parkside	7,406	29,823	450	7,406	30,273	37,679
Avalon Mountain View	9,755	39,393	1,043	9,755	40,436	50,191
San Marino	6,607	26,673	280	6,607	26,953	33,560
Avalon Sunnyvale	6,786	27,388	256	6,786	27,644	34,430
Avalon at Foxchase	11,340	45,532	1,145	11,340	46,677	58,017
Fairway Glen	3,341	13,338	380	3,341	13,718	17,059
Avalon Cupertino	9,099	39,926	86	9,099	40,012	49,111
Avalon on the Alameda	6,119	50,164	49	6,119	50,213	56,332
Avalon Rosewalk I	11,177	44,896	236	11,177	45,132	56,309
Avalon Rosewalk II	4,637	17,131	--	4,637	17,131	21,768
Avalon Woodland Hills	23,828	40,372	6,942	23,828	47,314	71,142
Avalon at Media Center	22,483	28,104	13,249	22,483	41,353	63,836
Avalon Westside Terrace	5,878	23,708	7,477	5,878	31,185	37,063
Arbor Heights	2,984	17,927	8,552	2,984	26,479	29,463
Avalon at Warner Center	7,045	12,986	6,264	7,045	19,250	26,295
Timberwood	1,210	8,607	4,919	1,210	13,526	14,736
Avalon Huntington Beach	6,663	21,647	8,707	6,663	30,354	37,017
Avalon at Pacifica Bay	4,871	19,745	7,293	4,871	27,038	31,909
Avalon at South Coast	4,709	16,063	3,446	4,709	19,509	24,218
Avalon Santa Margarita	4,607	16,911	2,042	4,607	18,953	23,560
Amberway	10,285	7,249	3,716	10,285	10,965	21,250
Avalon at Laguna Niguel	656	16,588	3,714	656	20,302	20,958

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
--	-----------------------------	---	--------------	---------------------------------------

Current Communities

<S>	<C>	<C>	<C>	<C>
Waterford	\$4,327	\$54,276	\$33,100	1985/86
Hampton Place	3,963	50,623	--	1992/94
Avalon Pleasanton	4,409	55,051	--	1988/94
Avalon Dublin	1,940	24,775	--	1989/97
Willow Creek	2,469	31,371	--	1985/94
Avalon Fremont	1,657	20,385	--	1992/94
Avalon at Union Square	1,578	20,052	--	1973/96
Crowne Ridge	2,248	28,426	--	1973/96
Sunset Towers	2,462	25,639	--	1961/96
Avalon at Nob Hill	1,975	25,442	20,013	1990/95
Avalon at Diamond Heights	1,772	22,396	--	1972/94
Avalon Towers by The Bay	2,654	64,168	--	1999
Crossbrook	1,077	18,000	8,156	1986/94
Avalon at Cedar Ridge	2,028	23,490	--	1975/97
Avalon Foster City	2,951	38,101	--	1973/94
Avalon Pacifica	2,235	28,838	16,775	1971/95
Avalon Silicon Valley	8,918	111,496	--	1997
Avalon at Blossom Hill	4,385	56,323	--	1995
Avalon Campbell	4,296	55,602	36,981	1995
Countrybrook	3,480	44,227	18,934	1985/96
Avalon at Pruneyard	2,231	29,470	12,870	1966/97
Creekside	2,600	40,209	--	1962/97
Avalon at River Oaks	3,344	42,556	--	1990/96
Avalon at Parkside	2,693	34,986	--	1991/96

Avalon Mountain View	3,588	46,603	18,300	1986
San Marino	2,436	31,124	--	1984/88
Avalon Sunnyvale	2,482	31,948	--	1987/95
Avalon at Foxchase	4,233	53,784	26,400	1986/87
Fairway Glen	1,259	15,800	9,580	1986
Avalon Cupertino	3,674	45,437	--	1999
Avalon on the Alameda	2,675	53,657	--	1999
Avalon Rosewalk I	4,010	52,299	--	1997
Avalon Rosewalk II	1,037	20,731	--	1999
Avalon Woodland Hills	4,645	66,497	--	1989/97
Avalon at Media Center	3,421	60,415	--	1969/97
Avalon Westside Terrace	2,583	34,480	--	1966/97
Arbor Heights	2,235	27,228	--	1970/97
Avalon at Warner Center	1,655	24,640	--	1979/98
Timberwood	1,286	13,450	--	1972/97
Avalon Huntington Beach	3,078	33,939	--	1972/97
Avalon at Pacifica Bay	2,168	29,741	--	1971/97
Avalon at South Coast	1,837	22,381	--	1973/96
Avalon Santa Margarita	1,772	21,788	--	1990/97
Amberway	1,043	20,207	--	1983/98
Avalon at Laguna Niguel	1,817	19,141	10,400	1988/98

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 2000  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Avalon Newport	1,975	3,814	4,299	1,975	8,113	10,088
Avalon Mission Viejo	2,517	9,257	1,079	2,517	10,336	12,853
Avalon at Mission Bay	9,922	40,633	14,907	9,922	55,540	65,462
Avalon at Cortez Hill	2,768	20,134	6,621	2,768	26,755	29,523
Avalon at Mission Ridge	2,710	10,924	7,911	2,710	18,835	21,545
Avalon at Penasquitos Hills	2,760	9,391	1,997	2,760	11,388	14,148
Waterhouse Place	2,109	13,514	5,041	2,109	18,555	20,664
Avalon at Bear Creek	6,786	27,035	561	6,786	27,596	34,382
Avalon Redmond Place	4,558	17,504	3,900	4,558	21,404	25,962
Avalon Greenbriar	3,808	21,239	10,725	3,808	31,964	35,772
Avalon at Prudential Center	25,811	103,233	5,325	25,811	108,558	134,369
Longwood Towers	4,219	17,729	20,111	4,219	37,840	42,059
Avalon at Center Place	--	26,816	257	--	27,073	27,073
Avalon Summit	1,743	14,654	72	1,743	14,726	16,469
Avalon at Lexington	2,124	12,599	406	2,124	13,005	15,129
Avalon at Faxon Park	1,136	14,019	--	1,136	14,019	15,155
Avalon West	943	9,881	--	943	9,881	10,824
Avalon Oaks	2,129	19,018	--	2,129	19,018	21,147
Avalon Walk I & II	9,102	48,796	902	9,102	49,698	58,800
Avalon Glen	5,956	23,993	961	5,956	24,954	30,910
Avalon Gates	4,414	31,305	212	4,414	31,517	35,931
Avalon Springs	2,116	14,512	22	2,116	14,534	16,650
Avalon Valley	2,277	22,424	707	2,277	23,131	25,408
Avalon Lake	3,314	13,139	379	3,314	13,518	16,832
Avalon Pavilions	11,256	45,059	1,304	11,256	46,363	57,619
Avalon Commons	4,679	28,552	77	4,679	28,629	33,308
Avalon Towers	3,118	12,709	797	3,118	13,506	16,624
Avalon Court	3,083	15,871	--	3,083	15,871	18,954
Avalon Cove	8,760	82,356	183	8,760	82,539	91,299
The Tower at Avalon Cove	3,738	45,755	10	3,738	45,765	49,503
Avalon Watch	5,585	22,394	1,153	5,585	23,547	29,132
Avalon Crest	11,468	44,035	--	11,468	44,035	55,503
Avalon Run East	1,579	14,669	--	1,579	14,669	16,248
Avalon Gardens	8,428	45,710	33	8,428	45,743	54,171
Avalon View	3,529	14,140	375	3,529	14,515	18,044
Avalon Green	1,820	10,525	217	1,820	10,742	12,562
The Avalon	2,889	28,273	--	2,889	28,273	31,162
Avalon at Fairway Hills I & II	8,612	34,463	1,024	8,612	35,487	44,099
Avalon at Symphony Glen	1,594	6,384	870	1,594	7,254	8,848
Avalon Landing	1,849	7,409	284	1,849	7,693	9,542
Avalon at Ballston V & Q	9,340	37,360	178	9,340	37,538	46,878
Avalon Crescent	13,851	43,401	--	13,851	43,401	57,252
Avalon at Ballston Washington	7,291	29,177	632	7,291	29,809	37,100
Avalon at Cameron Court	10,292	32,931	--	10,292	32,931	43,223

Autumn Woods	6,096	24,400	310	6,096	24,710	30,806
Avalon at Fair Lakes	4,334	19,127	--	4,334	19,127	23,461
Avalon at Dulles	2,302	9,212	257	2,302	9,469	11,771

<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
<S>	<C>	<C>	<C>	<C>
Avalon Newport	755	9,333	--	1956/96
Avalon Mission Viejo	965	11,888	7,354	1984/96
Avalon at Mission Bay	4,136	61,326	--	1969/97
Avalon at Cortez Hill	2,120	27,403	--	1973/98
Avalon at Mission Ridge	1,721	19,824	--	1960/97
Avalon at Penasquitos Hills	1,052	13,096	--	1982/97
Waterhouse Place	1,674	18,990	--	1990/97
Avalon at Bear Creek	2,494	31,888	--	1998
Avalon Redmond Place	2,144	23,818	11,042	1991/97
Avalon Greenbriar	2,391	33,381	18,755	1987/88
Avalon at Prudential Center	9,355	125,014	--	1968/1998
Longwood Towers	5,926	36,133	--	1993
Avalon at Center Place	3,312	23,761	--	1997
Avalon Summit	2,378	14,091	--	1996
Avalon at Lexington	2,784	12,345	14,347	1994
Avalon at Faxon Park	1,411	13,744	--	1998
Avalon West	1,508	9,316	8,579	1996
Avalon Oaks	1,210	19,937	--	1999
Avalon Walk I & II	10,600	48,200	12,300	1992/94
Avalon Glen	5,425	25,485	--	1991
Avalon Gates	3,889	32,042	--	1997
Avalon Springs	1,906	14,744	--	1996
Avalon Valley	1,380	24,028	--	1999
Avalon Lake	791	16,041	--	1999
Avalon Pavilions	10,719	46,900	--	1990/92
Avalon Commons	3,398	29,910	--	1997
Avalon Towers	2,277	14,347	--	1995
Avalon Court	1,789	17,165	--	1997
Avalon Cove	10,966	80,333	--	1997
The Tower at Avalon Cove	2,624	46,879	--	1999
Avalon Watch	5,618	23,514	--	1988
Avalon Crest	2,416	53,087	--	1999
Avalon Run East	2,173	14,075	--	1996
Avalon Gardens	4,730	49,441	--	1998
Avalon View	3,374	14,670	18,465	1993
Avalon Green	2,028	10,534	--	1995
The Avalon	1,262	29,900	--	1999
Avalon at Fairway Hills I & II	6,048	38,051	11,500	1987/96
Avalon at Symphony Glen	1,705	7,143	9,780	1986
Avalon Landing	1,491	8,051	6,626	1995
Avalon at Ballston V & Q	4,914	41,964	--	1997
Avalon Crescent	5,468	51,784	--	1996
Avalon at Ballston Washington	6,663	30,437	--	1990
Avalon at Cameron Court	3,258	39,965	--	1998
Autumn Woods	3,416	27,390	--	1996
Avalon at Fair Lakes	1,975	21,486	--	1998
Avalon at Dulles	2,284	9,487	12,360	1986

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 2000  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Avalon at Providence Park	2,152	8,907	184	2,152	9,091	11,243
Avalon at Decoverly	6,157	24,800	457	6,157	25,257	31,414
Avalon Knoll	1,528	6,136	601	1,528	6,737	8,265
Avalon Fields I & II	4,047	18,611	5	4,047	18,616	22,663
Avalon Crossing	2,207	11,683	--	2,207	11,683	13,890
4100 Massachusetts	6,848	27,614	1,066	6,848	28,680	35,528
Avalon at Danada Farms	7,535	30,444	190	7,535	30,634	38,169
Avalon at West Grove	5,149	20,657	3,587	5,149	24,244	29,393
Avalon at Stratford Green	4,326	17,569	36	4,326	17,605	21,931



Avalon at Devonshire	7,250	29,641	282	7,250	29,923	37,173
Avalon at Edinburgh	3,541	14,758	158	3,541	14,916	18,457
Avalon at Town Centre	3,450	14,449	84	3,450	14,533	17,983
Avalon at Town Square	2,099	8,642	94	2,099	8,736	10,835
Avalon Woodbury	5,034	20,857	57	5,034	20,914	25,948
Avalon Corners	6,305	24,179	872	6,305	25,051	31,356
Avalon Court North	6,145	33,049	991	6,145	34,040	40,185
Avalon Willow	6,207	39,852	--	6,207	39,852	46,059
Avalon at Fox Mill	2,713	16,678	--	2,713	16,678	19,391
Avalon Essex	5,230	15,483	492	5,230	15,975	21,205
Avalon Haven	1,264	11,762	464	1,264	12,226	13,490
200 Arlington Place	9,728	39,527	--	9,728	39,527	49,255
Avalon HighGrove	7,569	32,036	--	7,569	32,036	39,605
Avalon Palladia	9,303	37,350	--	9,303	37,350	46,653
Avalon ParcSquare	3,789	15,093	50	3,789	15,143	18,932
Avalon Rock Meadow	4,777	19,671	10	4,777	19,681	24,458
Avalon Wild Reed	4,253	18,676	21	4,253	18,697	22,950
	-----	-----	-----	-----	-----	-----
	717,986	3,060,054	248,473	717,986	3,308,527	4,026,513
	-----	-----	-----	-----	-----	-----

<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
<S>	<C>	<C>	<C>	<C>
Avalon at Providence Park	1,094	10,149	--	1997
Avalon at Decoverly	4,433	26,981	--	1995
Avalon Knoll	1,911	6,354	13,393	1985
Avalon Fields I & II	2,756	19,907	11,609	1998
Avalon Crossing	1,716	12,174	--	1996
4100 Massachusetts	6,034	29,494	--	1982
Avalon at Danada Farms	3,119	35,050	--	1997
Avalon at West Grove	2,453	26,940	--	1967
Avalon at Stratford Green	1,797	20,134	--	1997
Avalon at Devonshire	3,136	34,037	27,305	1988
Avalon at Edinburgh	1,386	17,071	--	1992
Avalon at Town Centre	1,525	16,458	--	1986
Avalon at Town Square	919	9,916	--	1986
Avalon Woodbury	1,065	24,883	--	1999
Avalon Corners	1,109	30,247	--	2000
Avalon Court North	1,453	38,732	--	2000
Avalon Willow	1,981	44,078	--	2000
Avalon at Fox Mill	772	18,619	--	2000
Avalon Essex	444	20,761	--	2000
Avalon Haven	238	13,252	--	2000
200 Arlington Place	--	49,255	--	1987/2000
Avalon HighGrove	140	39,465	--	2000
Avalon Palladia	380	46,273	--	2000
Avalon ParcSquare	306	18,626	--	2000
Avalon Rock Meadow	433	24,025	--	2000
Avalon Wild Reed	331	22,619	--	2000
	-----	-----	-----	
	327,480	3,699,033	394,924	
	-----	-----	-----	

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 2000  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Development Communities						
Avalon at Florham Park	4,092	32,932	--	4,092	32,932	37,024
Avalon at Edgewater	--	40,968	--	--	40,968	40,968
Avalon Bellevue	--	26,694	--	--	26,694	26,694
Avalon at Arlington Square I	--	40,869	--	--	40,869	40,869
Avalon on the Sound	--	61,505	--	--	61,505	61,505
Avalon Estates	1,063	17,651	--	1,063	17,651	18,714
Avalon at Cahill Park	--	11,902	--	--	11,902	11,902
Avalon at Freehold	--	12,105	--	--	12,105	12,105
Avalon Belltown	--	8,799	--	--	8,799	8,799

Avalon Harbor	--	15,327	--	--	15,327	15,327
Avalon Riverview	--	8,133	--	--	8,133	8,133
Avalon Towers on the Peninsula	--	20,407	--	--	20,407	20,407
	5,155	297,292	--	5,155	297,292	302,447
Land held for development	18,297	--	--	18,297	--	18,297
Presale communities	37,537	126,780	--	37,537	126,780	164,317
Corporate	1,571	22,617	207	1,571	22,824	24,395
	\$ 780,546	\$ 3,506,743	\$ 248,680	\$ 780,546	\$ 3,755,423	\$ 4,535,969

<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
<S>	<C>	<C>	<C>	<C>
Development Communities				
Avalon at Florham Park	275	36,749	--	N/A
Avalon at Edgewater	--	40,968	--	N/A
Avalon Bellevue	--	26,694	--	N/A
Avalon at Arlington Square I	--	40,869	--	N/A
Avalon on the Sound	--	61,505	--	N/A
Avalon Estates	84	18,630	--	N/A
Avalon at Cahill Park	--	11,902	--	N/A
Avalon at Freehold	--	12,105	--	N/A
Avalon Belltown	--	8,799	--	N/A
Avalon Harbor	--	15,327	--	N/A
Avalon Riverview	--	8,133	--	N/A
Avalon Towers on the Peninsula	--	20,407	--	N/A
	359	302,088	--	
Land held for development	--	18,297	--	N/A
Presale communities	--	164,317	--	N/A
Corporate	8,171	16,224	--	N/A
	\$ 336,010	\$ 4,199,959	\$ 394,924	

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 2000  
(Dollars in thousands)

Depreciation of AvalonBay Communities, Inc. building, improvements, upgrades and furniture, fixtures and equipment (FF&E) is calculated over the following useful lives, on a straight line basis:

Building - 30 years  
Improvements, upgrades and FF&E - not to exceed 7 years

The aggregate cost of total real estate for Federal income tax purposes was approximately \$4.5 billion at December 31, 2000.

The changes in total real estate for the years ended December 31, 2000, 1999 and 1998 are as follows:

<TABLE>  
<CAPTION>

	Years ended December 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Balance, beginning of period	\$ 4,266,426	\$ 4,006,456	\$ 1,534,986
Acquisitions, construction costs and improvements	393,359	519,381	2,622,427
Reclassification to investment in joint ventures	--	--	--
Dispositions	(123,816)	(259,411)	(150,957)
Balance, end of period	\$ 4,535,969	\$ 4,266,426	\$ 4,006,456

</TABLE>

The changes in accumulated depreciation for the years ended December 31, 2000, 1999 and 1998 are as follows:

<TABLE>

<CAPTION>

	Years ended December 31,		
	2000	1999	1998
<S>			
<C>	<C>	<C>	<C>
Balance, beginning of period	\$ 225,103	\$ 137,374	\$ 69,932
Depreciation for the period	119,416	107,928	75,614
Dispositions	(8,509)	(20,199)	(8,172)
Balance, end of period	\$ 336,010	\$ 225,103	\$ 137,374

</TABLE>

## EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "AGREEMENT") made as of the 26th day of February, 2001 (the "EFFECTIVE DATE") by and between Timothy J. Naughton and AvalonBay Communities, Inc., a Maryland corporation (the "COMPANY").

WHEREAS, Executive has been performing services for the Company; and

WHEREAS, Executive and the Company desire to enter into an employment agreement, effective as of the date of execution of this Agreement.

NOW, THEREFORE, the parties hereto do hereby agree as follows.

1. TERM. The Company hereby agrees to employ Executive, and Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement for the period commencing on the Effective Date and terminating on February 25, 2004 (the "ORIGINAL TERM"), unless earlier terminated as provided in Section 7. The Original Term shall be extended automatically for additional one year periods measured from February 26, 2004 (each a "RENEWAL TERM"), unless notice that this Agreement will not be extended is given by either party to the other ninety (90) days prior to the expiration of the Original Term or any Renewal Term. Notwithstanding the foregoing, upon a Change in Control, the Employment Period shall be extended automatically to three years from the date of such Change in Control. (The period of Executive's employment hereunder within the Original Term and any Renewal Terms is herein referred to as the "EMPLOYMENT PERIOD.")

## 2. EMPLOYMENT DUTIES.

(a) During the Employment Period, Executive shall be employed in the business of the Company and its affiliates. Executive shall serve as a corporate officer of the Company with the title of CHIEF OPERATING OFFICER. In the performance of his duties, Executive shall be subject to the direction of the Board of Directors of the Company (the "Board"), including any committee of the Board designated by the Board, if any, and the President and/or Chief Executive Officer of the Company ("CEO", which term refers to the President and/or Chief Executive Officer, each with authority acting alone to give direction hereunder in the event that both titles are not held by the same person) and shall not be required to take direction from or report to any other person. Executive's duties, title and/or authority, as assigned by the Board or CEO, shall include responsibility for overseeing the Company's overall (i) development activities, (ii) construction activities, (iii) investment activities, (iv) marketing activities, and (v) property operations activities (in each case, to the extent the same relate to the multifamily rental business), PROVIDED, HOWEVER, that it will not be a violation of this Section 2(a), or otherwise be a breach by the Company under any term of this Agreement, if (a) the Company modifies Executive's duties so that they include only three out of the aforementioned five functional areas, or (b) the Executive's duties are modified from time to time as Executive and Company mutually reasonably agree.

(b) Executive agrees to his employment as described in this Section 2 and agrees to devote substantially all of his working time and efforts to the performance of his duties under this Agreement; provided that nothing in this Section 2(b) shall be interpreted to preclude Executive from (i) participating with the prior written consent of the Board as an officer or director of, or advisor to, any other entity or organization that is not a customer or material service provider to the Company or a Competing Enterprise, as defined in Section 8, so long as such participation does not interfere with the performance of

Executive's duties hereunder, whether or not such entity or organization is engaged in religious, charitable or other community or non-profit activities, (ii) investing in any entity or organization which is not a customer or material service provider to the Company or a Competing Enterprise, so long as such investment does not interfere with the performance of Executive's duties hereunder, or (iii) delivering lectures or fulfilling speaking engagements so long as such lectures or engagements do not interfere with the performance of Executive's duties hereunder.

(c) In performing his duties hereunder, Executive shall be available for reasonable travel as the needs of the business require. Executive shall be based in Alexandria, Virginia (or otherwise in the Washington Baltimore, DC-MD-VA-WV Consolidated Metropolitan Statistical Area as defined by the U.S. Census Bureau ("Metropolitan D.C.")).

(d) Breach by either party of any of his or its respective

obligations under this Section 2 shall be deemed a material breach of that party's obligations hereunder.

3. COMPENSATION/BENEFITS. In consideration of Executive's services hereunder, the Company shall provide Executive the following:

(a) BASE SALARY. During the Employment Period, the Executive shall receive an annual rate of base salary ("BASE SALARY") in an amount not less than \$350,000. Executive's Base Salary will be reviewed by the Company annually and may be adjusted upward (but not downward) at such time. Base Salary shall be payable in accordance with the Company's normal business practices, but in no event less frequently than monthly.

(b) BONUSES. Commencing at the close of each fiscal year during the Employment Period, the Company shall review the performance of the Company and of Executive during the prior fiscal year, and the Company may provide Executive with additional compensation in the form of a cash bonus ("CASH BONUS") and/or in the form of long term equity incentives such as stock options and restricted stock grants ("LT EQUITY BONUS") if the Board, or any compensation committee thereof, in its discretion, determines that the performance of the Company and Executive's contribution to the Company warrants such additional payment and the Company's anticipated financial performance of the present period permits such payment. Any Cash Bonuses hereunder shall be paid as a lump sum not later than 75 days after the end of the Company's preceding fiscal year.

(c) MEDICAL AND DISABILITY INSURANCE/PHYSICAL. During the Employment Period, the Company shall provide to Executive and Executive's immediate family a comprehensive policy of health insurance in accordance with the Company's general practice applicable to officers (including payment of all or a portion of the premiums due thereon) and shall provide to Executive a disability policy in accordance with the Company's general practice applicable to officers (including payment of all or a portion of the premiums due thereon). During the Employment Period, Executive shall be entitled to a comprehensive annual physical performed, at the expense of the Company (but not including any related travel expense), by the physician or medical group of Executive's choosing.

(d) SPLIT DOLLAR LIFE INSURANCE. During the Employment Period, the Company shall keep in force and pay the premiums on the split-dollar life insurance policy referenced in the Split Dollar Insurance Agreement between the Company and Executive, subject to reimbursement by Executive as provided in such Split Dollar Insurance Agreement. Executive agrees to submit to such medical examinations as may be required in order to maintain such policy of insurance.

(e) VACATIONS. Executive shall be entitled to reasonable paid vacations during the Employment Period in accordance with the then regular procedures of the Company governing officers.

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(f) OFFICE/SECRETARY, ETC. During the Employment Period, Executive shall be entitled to secretarial services and a private office commensurate with his title and duties.

(g) ANNUAL ALLOWANCE. The Company will provide the Executive with an annual allowance of up to \$5,000 per year (the "ALLOWANCE"). The Executive may draw on the Allowance for expenses incurred in his discretion for items such as country club membership, financial counseling or tax preparation. Payment of the Allowance shall be subject to substantiation of expenses in accordance with the Company's policies in effect from time to time for executive officers of the Company. Unused portions of the Allowance shall not be carried over from year to year. For purposes of this Section 3(g), a new year shall be deemed to commence on each January 1.

(h) AUTOMOBILE. The Company shall provide Executive with a monthly car allowance during the Employment Period in accordance with the Company's current practices but in no event less than Executive's current monthly car allowance.

(i) OTHER BENEFITS. During the Employment Period, the Company shall provide to Executive such other benefits, excluding severance benefits, but including the right to participate in such retirement or pension plans, as are made generally available to officers of the Company from time to time. Executive shall be given credit for purposes of eligibility and vesting of employee benefits and benefit accrual for service prior to the Effective Date with Avalon Properties, Inc. and its affiliates ("AVALON"), and Trammell Crow Residential ("TCR") under each benefit plan of the Company and its subsidiaries to the extent such service had been credited under employee benefit plans of Avalon or TCR, provided that no such crediting of service results in duplication of benefits.

(j) TOTAL COMPENSATION. The Company acknowledges that the Executive's Cash Bonus and LT Equity Bonus awarded to the Executive by the Board

or Compensation Committee of the Board in its discretion from time-to-time, are a material part of total compensation for the Executive. The Company will endeavor to provide Executive with a reasonable Cash Bonus and/or reasonable LT Equity Bonus on an annual basis such that the Executive's total compensation, in light of the Company's performance and his performance in his role of COO, is reasonable under the circumstances and reasonable relative to the Cash Bonuses and LT Equity Bonuses awarded other officers of the Company. The Company shall not be in breach of this provision unless it can be demonstrated that the Company acted in bad faith in determining whether to award (or the size of an award of) a Cash Bonus or LT Equity Bonus, which determination of bad faith shall specifically be made with reference to the target awards set for other officers and the actual awards paid other officers.

#### 4. EXPENSES/INDEMNIFICATION.

(a) During the Employment Period, the Company shall reimburse Executive for the reasonable business expenses incurred by Executive in the course of performing his duties for the Company hereunder, upon submission of invoices, vouchers or other appropriate documentation, as may be required in accordance with the policies in effect from time to time for executive employees of the Company.

(b) To the fullest extent permitted by law, the Company shall indemnify Executive with respect to any actions commenced against Executive in his capacity as an officer or director or former officer or director of the Company, or any affiliate thereof for which he may render service in such capacity, whether by or on behalf of the Company, its shareholders or third parties, and the Company shall advance to Executive on a timely basis an amount equal to the reasonable fees and expenses incurred in defending such actions, after receipt of an itemized request for such advance, and an undertaking from Executive to repay the amount of such advance, with interest at a reasonable rate from the date of the request, as determined by the Company, if it shall ultimately be determined that he is not entitled to be indemnified against such expenses. Notwithstanding the foregoing, the Company shall not indemnify

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Executive with respect to any acts or omissions attributable, directly or indirectly, to Executive's gross negligence, willful misconduct or material breach of this Agreement. The Company agrees that it shall use reasonable best efforts to secure and maintain officers' and directors' liability insurance that shall include coverage with respect to Executive.

#### 5. EMPLOYER'S AUTHORITY/POLICIES.

(a) GENERAL. Executive agrees to observe and comply with the rules and regulations of the Company as adopted by its Board respecting the performance of his duties and to carry out and perform orders, directions and policies communicated to him from time to time by the Board or the CEO.

(b) ETHICS POLICIES. Executive agrees to comply with and be bound by the Ethics Policies of the Company, as reflected in the attachment at ANNEX A hereto and made a part hereof. Executive agrees to comply with and be bound by the Company's insider trading policies and procedures that are generally applicable to employees and/or senior officers.

#### 6. RECORDS/NONDISCLOSURE/COMPANY POLICIES.

(a) GENERAL. All records, manuals, financial statements and similar documents obtained, reviewed or compiled by Executive in the course of the performance by him of services for the Company, whether or not confidential information or trade secrets, shall be the exclusive property of the Company. Executive shall have no rights in such documents upon any termination of this Agreement.

(b) NONDISCLOSURE AGREEMENT. Without limitation of the Company's rights under Section 6(a), Executive agrees to abide by and be bound by the Nondisclosure Agreement of the Company executed by Executive and the Company as reflected in the attachment at ANNEX B and made a part hereof.

#### 7. TERMINATION; SEVERANCE AND RELATED MATTERS.

(a) AT-WILL EMPLOYMENT. Executive's employment hereunder is "at will" and, therefore, may be terminated at any time, with or without Cause, at the option of the Company, subject only to the severance obligations under this Section 7. Upon any termination hereunder, the Employment Period shall expire.

(b) DEFINITIONS. For purposes of this Section 7, the following terms shall have the indicated definitions:

(1) CAUSE. "Cause" shall mean:

(i) Executive is convicted of or enters a

plea of nolo contendere to an act which is defined as a felony under any federal, state or local law, not based upon a traffic violation, which conviction or plea has or can be expected to have, in the good faith opinion of the Board, a material adverse impact on the business or reputation of the Company;

(ii) any one or more acts of theft, larceny, embezzlement, fraud or material intentional misappropriation from or with respect to the Company;

(iii) a breach by Executive of his fiduciary duties under Maryland law as an officer; or material breach by Executive of any rule, regulation, policy or procedure, the Company (including, without limitation, as described in Section 5 hereof);

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(iv) Executive's commission of any one or more acts of gross negligence or willful misconduct which in the good faith opinion of the Board has resulted in material harm to the business or reputation of the Company; or

(v) default by Executive in the performance of his material duties under this Agreement, without correction of such action within 15 days of written notice thereof.

Notwithstanding the foregoing, no termination of Executive's employment by the Company shall be treated as for Cause or be effective until and unless all of the steps described in subparagraphs (A) through (C) below have been complied with:

(A) Notice of intention to terminate for Cause has been given by the Company within 120 days after the Board learns of the act, failure or event (or latest in a series of acts, failures or events) constituting "Cause";

(B) The Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded at least 20 days notice of the meeting and an opportunity to present his position in writing; and

(C) The Board has given a Notice of Termination to Executive within 20 days after such Board meeting.

The Company may suspend Executive with pay at any time during the period commencing with the giving of notice to Executive under clause (A) above until final Notice of Termination is given under clause (C) above. Upon the giving of notice as provided in clause (C) above, no further payments shall be due Executive except as provided in Section 7(c)(vii).

(2) CHANGE IN CONTROL. A "Change in Control" shall mean the occurrence of any one or more of the following events following the Effective Date:

(i) Any individual, entity or group (a "Person") within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Act") (other than the Company, any corporation, partnership, trust or other entity controlled by the Company (a "Subsidiary"), or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act) of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities having the right to vote generally in an election of the Company's Board of Directors ("Voting Securities"), other than as a result of (A) an acquisition of securities directly from the Company or any Subsidiary or (B) an

acquisition by any corporation pursuant to a reorganization, consolidation or merger if, following such reorganization, consolidation or merger the conditions described in clauses (A), (B) and (C) of subparagraph (iii) of this Section 7(b)(2) are satisfied; or

(ii) Individuals who, as of the Effective Date, constitute the Company's Board (the "Incumbent Directors") cease for any reason to constitute at least a

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majority of the Board, provided, however, that any individual becoming a director of the Company subsequent to the date hereof (excluding, for this purpose, (A) any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, and (B) any individual whose initial assumption of office is in connection with a reorganization, merger or consolidation, involving an unrelated entity and occurring during the Employment Period), whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the persons then comprising Incumbent Directors shall for purposes of this Agreement be considered an Incumbent Director; or

(iii) Consummation of a reorganization, merger or consolidation of the Company, unless, following such reorganization, merger or consolidation, (A) more than 50% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Voting Securities immediately prior to such reorganization, merger or consolidation, (B) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company, a Subsidiary or the corporation resulting from such reorganization, merger or consolidation or any subsidiary thereof, and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 30% or more of the outstanding Voting Securities), beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (C) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation;

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or

(v) The sale, lease, exchange or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale, lease, exchange or other disposition (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the outstanding Voting Securities immediately prior to such sale, lease, exchange or other disposition, (B) no Person (excluding the Company and any employee benefit plan (or related trust) of the Company or a Subsidiary or such corporation or a subsidiary thereof and any Person beneficially owning, immediately prior to such sale, lease, exchange or other disposition, directly or indirectly, 30% or more of the outstanding Voting Securities), beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of



power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board of Directors providing for such sale, lease, exchange or other disposition of assets of the Company.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred for purposes of this Agreement solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Voting Securities outstanding, increases the proportionate voting power represented by the Voting Securities beneficially owned by any Person to 30% or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any Person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Stock or other Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "Change in Control" shall be deemed to have occurred for purposes of this Agreement.

(3) COMPLETE CHANGE IN CONTROL. A "Complete Change in Control" shall mean that a Change in Control has occurred, after modifying the definition of "Change in Control" by deleting clause (i) from Section 7(b)(2) of this Agreement.

(4) CONSTRUCTIVE TERMINATION WITHOUT CAUSE. "Constructive Termination Without Cause" shall mean a termination of Executive's employment initiated by Executive not later than 12 months following the occurrence (not including any time during which an arbitration proceeding referenced below is pending), without Executive's prior written consent, of one or more of the following events (or the latest to occur in a series of events), and effected after giving the Company not less than 10 working days' written notice of the specific act or acts relied upon and right to cure:

(i) a material adverse change in the functions, duties or responsibilities of Executive's position which is inconsistent with Section 2(a), except in connection with the termination of Executive's employment for Disability, Cause, as a result of Executive's death or by Executive other than for a Constructive Termination Without Cause;

(ii) any material breach by the Company of this Agreement;

(iii) any purported termination of Executive's employment for Cause by the Company which does not comply with the terms of Section 7(b)(1) of this Agreement;

(iv) the failure of the Company to obtain an agreement, satisfactory to the Executive, from any successor or assign of the Company, to assume and agree to perform this Agreement, as contemplated in Section 10 of this Agreement;

(v) the failure by the Company to continue in effect any compensation plan in which Executive participates immediately prior to a Change in Control which is material to Executive's total compensation, unless comparable alternative arrangements (embodied in ongoing substitute or alternative plans) have been implemented with respect to such plans, or the failure by the Company to continue Executive's participation therein (or in such substitute or alternative plans) on a basis not materially less favorable, in terms of the amount of benefits provided and the level of Executive's participation relative to

other participants, as existed during the last completed fiscal year of the Company prior to the Change in Control;

(vi) the relocation of the Company's Alexandria offices to a new location outside of Metropolitan D.C. or the failure to locate Executive's own office at the Alexandria office (or at the office to which such office is relocated

which is within Metropolitan D.C.) ("RELOCATION TERMINATION");  
or

(vii) any voluntary termination of employment by the Executive for any reason during the 12-month period immediately following a Complete Change in Control of the Company if such Complete Change in Control occurs during the Employment Period.

Notwithstanding the foregoing, a Constructive Termination Without Cause shall not be treated as having occurred unless Executive has given a final Notice of Termination delivered after expiration of the Company's cure period. Executive or the Company may, at any time after the expiration of the Company's cure period and either prior to or up until three months after giving a final Notice of Termination, commence an arbitration proceeding to determine the question of whether, taking into account the actions complained of and any efforts made by the Company to cure such actions, a termination by Executive of his employment should be treated as a Constructive Termination Without Cause for purposes of this Agreement. If the Executive or the Company commences such a proceeding prior to delivery by Executive of a final Notice of Termination, the commencement of such a proceeding shall be without prejudice to either party and Executive's and the Company's rights and obligations under this Agreement shall continue unaffected unless and until the arbitrator has determined such question in the affirmative, or, if earlier, the date on which Executive or the Company has delivered a Notice of Termination in accordance with the provisions of this Agreement.

(5) AVERAGE COVERED TOTAL COMPENSATION. "Average Covered Total Compensation" shall mean the sum of Executive's Covered Total Compensation as calculated for the calendar year in which the Date of Termination occurs and for each of the two preceding calendar years, divided by three, PROVIDED, HOWEVER, that if the Date of Termination occurs before the second anniversary of the Effective Date, then "Average Covered Total Compensation" shall mean the sum of Executive's Covered Total Compensation as calculated for the calendar year in which the Date of Termination occurs and for the preceding calendar year, divided by two. "Average Covered Base And Cash Bonus Compensation," "Average Covered Cash Bonus Compensation" and "Average Covered LT Equity Compensation" shall have analogous meanings but with reference to Covered Base And Cash Bonus Compensation, Covered Cash Bonus Compensation and Covered LT Equity Compensation, respectively.

(6) COVERED COMPENSATION DEFINITIONS. "Covered Total Compensation," for any calendar year, shall mean an amount equal to the sum of (i) Executive's Base Salary for the calendar year (disregarding any decreases made effective during the Employment Period), (ii) the cash bonus actually earned by Executive with respect to such calendar year, and (iii) the value of all stock and other equity-based compensation awards made to Executive during such calendar year. In the event that the Company has or hereafter makes any special, mid-year or other non-routine grant of equity outside of the Company's recurring annual equity compensation programs, or in the event that the Company grants, outside of the current recurring annual equity compensation programs, any equity based compensation pursuant to any long-term plan under which equity grants may be made based on multi-year Company results, the value of any such mid-year, special, or long-term plan equity based compensation shall not be included in clause (iii) of the preceding sentence and therefore shall not be included in the calculation of Covered Compensation definitions,

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and the value of such equity shall have no impact on any cash payments made under Section 7(c) of the Agreement.

"Covered Base And Cash Bonus Compensation" for any calendar year shall mean Covered Total Compensation for such year but without the inclusion of amounts attributable to clause (iii) of the definition of Covered Total Compensation.

"Covered Cash Bonus Compensation" for any calendar year shall mean Covered Total Compensation for such year but without the inclusion of amounts attributable to clauses (i) and (iii) of the definition of Covered Total Compensation.

"Covered LT Equity Compensation" for any calendar year shall mean Covered Total Compensation for such year but without the inclusion of clauses (i) and (ii) of the definition of Covered Total Compensation.

For purposes of applying the Covered Compensation definitions set forth above, the following rules shall apply:

(A) In valuing awards for purposes of clause (iii) of the definition of Covered Total Compensation, all such awards shall be treated as if fully vested when granted, stock grants shall be valued by reference to the fair market value on the date of grant of the Company's common stock, par value \$.01 per share, and other equity-based compensation awards shall be valued at the value established in good faith by the Compensation Committee of the Board. Reference is made to Section 7(c)(viii) for further clarification regarding this matter.

(B) In determining the cash bonus actually paid with respect to a calendar year, if no cash bonus has been paid with respect to the calendar year in which the Date of Termination occurs, the cash bonus paid with respect to the immediately preceding calendar year shall be assumed to have been paid in each of the current and immediately preceding calendar years, and if no cash bonus has been paid by the Date of Termination with respect to the immediately preceding calendar year, the cash bonus paid with respect to the second preceding calendar year shall be assumed to have been paid in all three (or two, as applicable) of the calendar years taken into account in determining Average Covered Total Compensation (or any of the derivative definitions under Section 7(b)(5)).

(C) If (i) any cash bonus paid with respect to the current or immediately preceding calendar year was paid within three months of Executive's Date of Termination, (ii) such cash bonus is lower than the last cash bonus paid more than three months from the Date of Termination, and (iii) it is determined that the Board acted in bad faith in setting such cash bonus (which determination of bad faith shall specifically be made with reference to the target cash bonuses set for other officers and the actual cash bonuses paid other officers), then in such event any such cash bonus paid within three months of the Date of Termination shall be disregarded and the last cash bonus paid more than three months from the Date of Termination shall be substituted for each cash bonus so disregarded.

(D) In determining the amount of stock and other equity-based compensation awards made during a calendar year during the averaging period, rules similar to those set forth in subparagraphs (B) and (C) of this Section 7(b)(6) shall be followed except that all awards made in connection with the Company's initial public offering shall be disregarded.

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(7) DISABILITY. "Disability" shall mean Executive has been determined to be disabled and to qualify for long-term disability benefits under the long-term disability insurance policy obtained pursuant to Section 3(d) of this Agreement.

(C) RIGHTS UPON TERMINATION.

(i) PAYMENT OF BENEFITS EARNED THROUGH DATE OF TERMINATION. Upon any termination of Executive's employment during the Employment Period, Executive, or his estate, shall in all events be paid (I) all accrued but unpaid Base Salary and (II) (except in the case of a termination by the Company for Cause or a voluntary termination by Executive which is not due to a Constructive Termination Without Cause, in either of which cases this clause (II) shall not apply) a pro rata portion of the Executive's Cash Bonus and LT Equity Bonus. For purposes of fulfilling the requirements of clause (II) of the prior sentence, the following shall apply:

(a) In all events, any stock options issued will be issued prior to Executive's Date of Termination so that such stock options are employee stock options. Such stock options shall have an exercise price equal to the closing price of the Company's stock on the date of grant of such options, and such options shall expire one year after the date of grant.

(b) The Company and Executive shall work in good faith to

determine an appropriate Cash Bonus and LT Equity Bonus for the year in which the Date of Termination occurs. Such determination shall be based in good faith on an evaluation of Executive's and the Company's performance. If the Company and Executive cannot agree on appropriate amounts, then:

- (A) The Company may defer the determination of the Cash Bonus and the restricted stock portion of the LT Equity Bonus until such bonuses in respect of such year are determined for other officers, and at such time the amounts to be used for determining Executive's pro rata bonuses shall be a percentage of his target Cash Bonus and a percentage of his target number of restricted shares with such percentages being equal to the average of the percentages that apply to the Cash Bonus and restricted shares, respectively, of other officers ranked Senior Vice President or higher; and
  - (B) The Company may grant to Executive a number of stock options based on the assumption that the percentage of the target number of options Executive would have received in respect of the year in which the Date of Termination occurs would equal the average of the percentage realization applied to options granted with respect to the prior three calendar years.
- (c) Once the determination in the preceding paragraph is made, the pro rata portion of such amounts shall equal such amounts multiplied by a fraction, the numerator of which is the number of days from January 1 to the Date of Termination in the year of termination and the denominator of which is 365.

Executive shall also retain all such rights with respect to vested equity-based awards as are provided under the circumstances under the applicable grant or award agreement, and shall

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be entitled to all other benefits which are provided under the circumstances in accordance with the provisions of the Company's generally applicable employee benefit plans, practices and policies, other than severance plans.

(ii) DEATH. In the event of Executive's death during the Employment Period, the Company shall, in addition to paying the amounts set forth in Section 7(c) (i), take whatever action is necessary to cause all of Executive's unvested equity-based awards to become fully vested as of the date of death and, in the case of equity-based awards which have an exercise schedule, to become fully exercisable and continue to be exercisable for such period as is provided in the case of vested and exercisable awards in the event of death under the terms of the applicable award agreements.

(iii) DISABILITY. In the event the Company elects to terminate Executive's employment during the Employment Period on account of Disability, the Company shall, in addition to paying the amounts set forth in Section 7(c) (i) and subject to Executive first entering into a separation agreement, including a general release of all claims, in a form reasonably acceptable to the Company ("SEPARATION AGREEMENT"), pay to Executive, in one lump sum, no later than the later of the effective date of said Separation Agreement or 31 days following the Date of Termination, an amount equal to one times Average Covered Total Compensation. The Company shall also, commencing upon the Date of Termination and subject to Executive entering into a Separation Agreement:

(A) Continue, without cost to Executive, benefits comparable to the medical benefits provided to Executive immediately prior to the Date of Termination under Section 3(c) for a period of 12 months following the Date of Termination or until such earlier date as Executive obtains comparable benefits through other employment;

(B) Continue to pay, or reimburse Executive, for all premiums then due or thereafter payable on the whole-life portion of the split-dollar insurance policy referenced under Section 3(d) for so long as such payments are due; PROVIDED, that the Company's obligations under this Section 7(c) (iii) (B) are contingent on Executive's timely payment of the premiums then due or thereafter payable on the term portion of said split-dollar insurance policy; and

(C) Take whatever action is necessary to cause

Executive to become vested as of the Date of Termination in all stock options, restricted stock grants, and all other equity-based awards and be entitled to exercise and continue to exercise all stock options and all other equity-based awards having an exercise schedule and to retain such grants and awards to the same extent as if they were vested upon termination of employment in accordance with their terms.

(D) If Executive obtains a disability policy on commercially reasonable terms with the same or similar coverage as provided by the Company prior to the Date of Termination then, until that date that is 12 months following the Date of Termination (or, if earlier, until Executive obtains comparable benefits through other employment), reimburse Executive for an amount equal to the difference between (i) the monthly premiums for such disability policy, less (ii) the amount paid by Executive in respect of a portion of the premiums on the disability policy provided by Company prior to the Date of Termination.

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(iv) NON-RENEWAL BY THE COMPANY. In the event the Company gives Executive a notice of non-renewal pursuant to Section 1 above, and either (I) within one year after expiration of the Employment Period the Executive voluntarily terminates his employment ("POST-EXPIRATION RESIGNATION") or (II) within two years after expiration of the Employment Period the Executive's employment is terminated by the Company without Cause or Constructively Terminated without Cause ("POST-EXPIRATION TERMINATION"), then, in either such case, the Company shall, in addition to paying the amounts set forth in Section 7(c)(i), and subject to Executive first entering into a Separation Agreement, pay to Executive, for 12 consecutive months beginning with the first business day of the calendar month following the Effective Date of said Separation Agreement, a monthly amount equal to one-twelfth (1/12) of the sum of one times his then applicable Base Salary plus one times Average Covered Cash Bonus Compensation. The Company shall also, commencing upon the Date of Termination and subject to Executive entering into a Separation Agreement, continue, without cost to Executive, benefits comparable to the medical benefits provided to Executive immediately prior to the Date of Termination under Section 3(c) for a period of 12 months following the Date of Termination or until such earlier date as Executive obtains comparable benefits through other employment. In addition, if Executive obtains a disability policy on commercially reasonable terms with the same or similar coverage as provided by the Company prior to the Date of Termination then, until that date that is 12 months following the Date of Termination (or, if earlier, until Executive obtains comparable benefits through other employment), reimburse Executive for an amount equal to the difference between (i) the monthly premiums for such disability policy, less (ii) the amount paid by Executive in respect of a portion of the premiums on the disability policy provided by Company prior to the Date of Termination.

In addition to the above, in the case of a Post-Expiration Termination the Company additionally shall:

- I. Take whatever action is necessary to cause Executive to become vested as of the Date of Termination in all stock options, restricted stock grants, and all other equity-based awards and be entitled to exercise and continue to exercise all stock options and all other equity-based awards having an exercise schedule and to retain such grants and awards to the same extent as if they were vested upon termination of employment in accordance with their terms; and
- II. Continue to pay, or reimburse Executive for, all premiums then due or thereafter payable on the whole-life portion of the split-dollar insurance policy referenced under Section 3(d) for so long as such payments are due; PROVIDED, that the Company's obligations under this Section 7(c)(iv)(B)(II) are contingent on Executive's timely payment of the premiums then due or thereafter payable on the term portion of said split-dollar insurance

policy;

(V) TERMINATION WITHOUT CAUSE OR CONSTRUCTIVE TERMINATION WITHOUT CAUSE PRIOR TO CHANGE IN CONTROL OF COMPANY. In the event the Company or any successor to the Company terminates Executive's employment without Cause, or if Executive terminates his employment in a Constructive Termination without Cause, in either case prior to the effective time of any Change in Control of the Company or at any time after two years after a Change in Control of the Company, the Company shall, in addition to paying the amounts provided under Section 7(c)(i), and subject to Executive first entering

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into a Separation Agreement, pay to Executive, in one lump sum no later than the later of the Effective Date of said Separation Agreement or 31 days following the Date of Termination, an amount equal to the sum of (x) two times Average Covered Base And Cash Bonus Compensation PLUS (y) one times Average Covered LT Equity Compensation (such sum, the "SECTION 7(c)(v) PAYMENT"); PROVIDED, HOWEVER, that in the event that the Constructive Termination Without Cause is a Relocation Termination, the payment shall be in an amount equal to one times Average Covered Total Compensation. The Company shall also, commencing upon the Date of Termination and subject to the Executive entering into a Separation Agreement:

- (A) Continue, without cost to Executive, benefits comparable to the medical benefits provided to Executive immediately prior to the Date of Termination under Section 3(c) for a period of 24 months (12 months in the case of a Relocation Termination) following the Date of Termination or until such earlier date as Executive obtains comparable benefits through other employment;
- (B) Continue to pay, or reimburse Executive, for so long as such payments are due, all premiums then due or payable on the whole-life portion of the split-dollar insurance policy referenced under Section 3(d); PROVIDED that the Company's obligations under this Section 7(c)(v)(B) are contingent on Executive's timely payment of the premiums then due or thereafter payable on the term portion of said split-dollar insurance policy; and
- (C) Take whatever action is necessary to cause Executive to become vested as of the Date of Termination in all stock options, restricted stock grants, and all other equity-based awards and be entitled to exercise and continue to exercise all stock options and all other equity-based awards having an exercise schedule and to retain such grants and awards to the same extent as if they were vested upon termination of employment in accordance with their terms.
- (D) If Executive obtains a disability policy on commercially reasonable terms with the same or similar coverage as provided by the Company prior to the Date of Termination then, until that date that is 24 months (12 months in the case of a Relocation Termination) following the Date of Termination (or, if earlier, until Executive obtains comparable benefits through other employment), reimburse Executive for an amount equal to the difference between (i) the premium for such disability policy, less (ii) the amount paid by Executive in respect of a portion of the premiums on the disability policy provided by Company prior to the Date of Termination.

In the event that, within six months after the Notice of Termination which gave rise to the termination of Executive's employment under this Section 7(c)(v), a Change in Control of

the Company occurs, then (provided Executive previously signed a Separation Agreement), Executive shall be entitled to receive the payments and benefits under Section 7(c) (vi) rather than this Section 7(c) (v). To effect this increase in payments and benefits, within 31 days of the Change in Control the Company shall pay to Executive, in one lump sum, an amount equal to the difference between (A) three times Average Covered Total Compensation (calculated as of the Date of Termination) less (B) the Section 7(c) (v) Payment. No payment in the nature of interest or for the time value of money shall be paid by the Company. In addition, the benefits described in Section 7(c) (v) (A) shall continue for 36 months following the Date of Termination (or until such earlier date as Executive obtains comparable benefits through other employment) rather than 24 months.

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(VI) TERMINATION WITHOUT CAUSE WITHIN TWO YEARS FOLLOWING A CHANGE IN CONTROL. In the event the Company or any successor to the Company terminates Executive's employment without Cause (or Executive's employment is Constructively Terminated without Cause) within two years following the effective time of a Change in Control of the Company, the Company shall, in addition to paying the amounts provided under Section 7(c) (i), and subject to the Executive first entering into a Separation Agreement, pay to the Executive, in one lump sum no later than the later of the effective date of said Separation Agreement or 31 days following the Date of Termination, an amount equal to three times Average Covered Total Compensation. The Company shall also, commencing upon the Date of Termination:

(A) Continue, without cost to Executive, benefits comparable to the medical benefits provided to Executive immediately prior to the Date of Termination under Section 3(c) for a period of 36 months following the Date of Termination or until such earlier date as Executive obtains comparable benefits through other employment;

(B) Continue to pay, or reimburse Executive, for so long as such payments are due, all premiums then due or payable on the whole-life portion of the split-dollar insurance policy referenced under Section 3(d); ); PROVIDED that the Company's obligations under this Section 7(c) (vi) (B) are contingent on Executive's timely payment of the premiums then due or thereafter payable on the term portion of said split-dollar insurance policy; and

(C) Take whatever action is necessary to cause Executive to become vested as of the Date of Termination in all stock options, restricted stock grants, and all other equity-based awards and be entitled to exercise and continue to exercise all stock options and all other equity-based awards having an exercise schedule and to retain such grants and awards to the same extent as if they were vested upon termination of employment in accordance with their terms.

(D) If Executive obtains a disability policy on commercially reasonable terms with the same or similar coverage as provided by the Company prior to the Date of Termination then, until that date that is 36 months following the Date of Termination (or, if earlier, until Executive obtains comparable benefits through other employment), reimburse Executive for an amount equal to the difference between (i) the monthly premiums for such disability policy, less (ii) the amount paid by Executive in respect of a portion of the premiums on the disability policy provided by Company prior to the Date of Termination.

(vii) TERMINATION FOR CAUSE; VOLUNTARY RESIGNATION. In the event Executive's employment terminates during the Employment Period other than in connection with a termination meeting the conditions of subparagraphs (ii), (iii), (iv), (v) or (vi) of this Section 7(c), Executive shall receive the amounts set forth in Section 7(c) (i) in full satisfaction of all of his entitlements from the Company. All equity-based awards not vested as of the Date of Termination shall terminate (unless otherwise provided in the applicable award agreement) and Executive shall have no further entitlements with respect thereto.

(viii) CLARIFICATION REGARDING TREATMENT OF OPTIONS AND RESTRICTED STOCK. The stock option and restricted stock agreements (the "EQUITY AWARD AGREEMENTS")

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that Executive has or may receive may contain language regarding the effect of a termination of Executive's employment under certain circumstances.

(A) Notwithstanding such language in the Equity Award Agreements, for so long as this Agreement is in effect, the Company will be obligated, if the terms of this Agreement are more favorable in this regard than the terms of the Equity Award Agreements, to take the actions required under Sections 7(c)(ii), 7(c)(iii)(C), 7(c)(iv)(for a Post-Expiration Termination), 7(c)(v)(C) and 7(c)(vi)(C) hereof upon the happening of the circumstances described therein. Those sections provide that in certain situations the Company will cause the Executive to become vested as of the Date of Termination in all or certain equity-based awards, and that such equity-based awards will thereafter be subject to the provisions of the applicable Equity Award Agreement as it applies to vested awards upon a termination. For purposes of clarification, although an option grant may VEST in accordance with these above-referenced Sections, such option will thereafter be EXERCISABLE only for so long as the related option agreement provides, except that the Compensation Committee of the Board of Directors may, in its sole discretion, elect to extend the expiration date of such option. For example, in general Executive's option agreements granted prior to the date hereof provide that (in the absence of an extension by the Compensation Committee) upon a termination of employment for any reason other than death, disability, retirement or cause, any vested options will only be exercisable for three months from the date of termination or, if earlier, the expiration date of the option.

(B) Notwithstanding the definition of "Cause" which may appear in the Equity Award Agreements, for so long as this Agreement is in effect (X) any "for Cause" termination must be in compliance with the terms of this Agreement, including the definition of "Cause" set forth herein, and (Y) only in the event of a "for Cause" termination that meets both the definition in this Agreement and the definition in the Equity Award Agreement will the disposition of options and restricted stock under such Equity Award Agreement be treated in the manner described in such Equity Award Agreement in the case of a termination "for Cause."

(C) For purposes of Section 7(b)(6)(A), the value of any option may be determined by the Compensation Committee of the Board at any time after its grant date by setting such value at the value determined by a nationally recognized accounting firm or employee benefits compensation firm, selected by such Committee, that calculates such value in accordance with a Black-Scholes formula or variations thereof using such parameters and procedures (including, without limitation, parameters and procedures used to measure the historical volatility of the Company's common stock as of the relevant grant date) as the Compensation Committee and/or such firm deems reasonably appropriate. In all events, if the parameters used for valuing any option for purposes of Section 7(b)(6)(A) are the same as the parameters used for valuing any other options for purposes of disclosure or inclusion in the Company's financial statements or financial statement footnotes, then such parameters shall be deemed reasonable.

(D) During the Employment Period any stock options issued to Executive shall provide that if Executive's employment is terminated in any manner which gives rise to an obligation under this Agreement (or any successor Agreement or other severance arrangement) to cause the acceleration of vesting of

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stock options, then in such event such stock options shall not expire until one year after the Date of Termination (or, if earlier, the expiration of their ordinary term). The Company represents that the stock options awarded to Executive in February 2001 have a provision to the same effect. This



covenant of the Company shall not apply to any stock options issued prior to 2001 or to any stock options issued after the expiration of the Employment Period.

(d) ADDITIONAL BENEFITS.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable (1) pursuant to the terms of Section 7 of this Agreement, (2) pursuant to or in connection with any compensatory or employee benefit plan, agreement or arrangement, including but not limited to any stock options, restricted or unrestricted stock grants issued to or for the benefit of Executive and forgiveness of any loans by the Company to Executive or (3) otherwise (collectively, "Severance Payments"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), and any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment from the Company (a "Partial Gross-Up Payment"), such that the net amount retained by Executive, before accrual or payment of any Federal, state or local income tax or employment tax, but after accrual or payment of the Excise Tax attributable to the Partial Gross-Up Payment, is equal to the Excise Tax on the Severance Payments.

(ii) Subject to the provisions of Section 7(d)(iii), all determinations required to be made under this Section 7, including whether a Partial Gross-Up Payment is required and the amount of such Partial Gross-Up Payment, shall be made by Arthur Andersen LLP or such other nationally recognized accounting firm as may at that time be the Company's independent public accountants immediately prior to the Change in Control (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive as soon as practicable after the Date of Termination, if applicable. The initial Partial Gross-Up Payment, if any, as determined pursuant to this Section 7(d)(ii), shall be paid to Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, the Company shall furnish Executive with an opinion of counsel that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Partial Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"). In the event that the Company exhausts its remedies pursuant to Section 7(d)(iii) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, consistent with the calculations required to be made hereunder, and any such Underpayment, and any interest and penalties imposed on the Underpayment and required to be paid by Executive in connection with the proceedings described in Section 7(d)(iii), and any related legal and accounting expenses, shall be promptly paid by the Company to or for the benefit of Executive.

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(iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Partial Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after Executive acquires actual knowledge of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(A) give the Company any information reasonably requested by the Company relating to such claim,

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company,

(C) cooperate with the Company in good faith in order effectively to contest such claim, and

(D) permit the Company to participate in any proceedings relating to such claim; provided, however that the Company shall bear and pay directly all costs and expenses attributable to the failure to pay the Excise Tax (including related additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, for any Excise Tax up to an amount not exceeding the Partial Gross-Up Payment, including interest and penalties with respect thereto, imposed as a result of such representation, and payment of related legal and accounting costs and expenses (the "Indemnification Limit"). Without limitation on the foregoing provisions of this Section 7(d)(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance so much of the amount of such payment as does not exceed the Excise Tax, and related interest and penalties, to Executive on an interest-free basis and shall indemnify and hold Executive harmless, from any related legal and accounting costs and expenses, and from any Excise Tax, including related interest or penalties imposed with respect to such advance or with respect to any imputed income with respect to such advance up to an amount not exceeding the Indemnification Limit; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Partial Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case

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may be, any other issues raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 7(d)(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 7(d)(iii)) promptly pay to the Company so much of such refund (together with any interest paid or credited thereon after taxes applicable thereto) (the "Refund") as is equal to (A) if the Company advanced or paid the entire amount required to be so advanced or paid pursuant to Section 7(d)(iii) hereof (the "Required Section 7(d) Advance"), the aggregate amount advanced or paid by the Company pursuant to this Section 7(d) less the portion of such amount advanced to Executive to reimburse him for related legal and accounting costs, or (B) if the Company advanced or paid less than the Required Section 7(d) Advance, so much of the aggregate amount so advanced or paid by the Company pursuant to this Section 7(d) as is equal to the difference, if any, between (C) the amount refunded to Executive with respect to such claim and (D) the sum of the portion of the Required Section 7(d) Advance that was paid by Executive and not paid or advanced by the Company plus Executive's related legal and accounting fees, as applicable. If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 7(d)(iii), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Partial Gross-Up Payment required to be paid.

(e) NOTICE OF TERMINATION. Notice of non-renewal of this Agreement pursuant to Section 1 hereof or of any termination of Executive's employment (other than by reason of death) shall be communicated by written notice (a "Notice of Termination") from one party hereto to the other party hereto in

accordance with this Section 7 and Section 9.

(f) DATE OF TERMINATION. "Date of Termination," with respect to any termination of Executive's employment during the Employment Period, shall mean (i) if Executive's employment is terminated for Disability, 30 days after Notice of Termination is given (provided that Executive shall not have returned to the full-time performance of Executive's duties during such 30 day period), (ii) if Executive's employment is terminated for Cause, the date on which a Notice of Termination is given which complies with the requirements of Section 7(b)(1) hereof, and (iii) if Executive's employment is terminated for any other reason, the date specified in the Notice of Termination. In the case of a termination by the Company other than for Cause, the Date of Termination shall not be less than 30 days after the Notice of Termination is given. In the case of a termination by Executive, the Date of Termination shall not be less than 15 days from the date such Notice of Termination is given. Notwithstanding the foregoing, in the event that Executive gives a Notice of Termination to the Company, the Company may unilaterally accelerate the Date of Termination and such acceleration shall not result in the termination being treated as a termination without Cause. Upon any termination of his employment, Executive will concurrently resign his membership as a director and/or officer of the Company and all subsidiaries of the Company, to the extent applicable.

(g) NO MITIGATION. The Company agrees that, if Executive's employment by the Company is terminated during the term of this Agreement, Executive is not required to seek other employment, or to attempt in any way to reduce any amounts payable to Executive by the Company pursuant to Section 7(d)(i) hereof. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Executive as the result of employment by another employer,

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by retirement benefits, or, except for amounts then due and payable in accordance with the terms of any promissory notes given by Executive in favor of the Company, by offset against any amount claimed to be owed by Executive to the Company or otherwise.

(h) NATURE OF PAYMENTS. The amounts due under this Section 7 are in the nature of severance payments considered to be reasonable by the Company and are not in the nature of a penalty. Such amounts are in full satisfaction of all claims Executive may have in respect of his employment by the Company or its affiliates and are provided as the sole and exclusive benefits to be provided to Executive, his estate, or his beneficiaries in respect of his termination of employment from the Company or its affiliates.

#### 8. NON-COMPETITION; NON-SOLICITATION; SPECIFIC ENFORCEMENT.

(a) NON-COMPETITION. Because Executive's services to the Company are special and because Executive has access to the Company's confidential information, Executive covenants and agrees that, during the Employment Period and, for a period of one year following the Date of Termination by the Company for Cause or Disability, or a termination by Executive (other than a Constructive Termination Without Cause) prior to a Change in Control, Executive shall not, without the prior written consent of the Board of Directors, become associated with, or engage in any "Restricted Activities" with respect to any "Competing Enterprise," as such terms are hereinafter defined, whether as an officer, employee, principal, partner, agent, consultant, independent contractor or shareholder. "Competing Enterprise," for purposes of this Agreement, shall mean any person, corporation, partnership, venture or other entity which is engaged in the business of managing, owning, leasing or joint venturing multifamily rental real estate within 30 miles of multifamily rental real estate owned or under management by the Company or its affiliates. "Restricted Activities," for purposes of this Agreement, shall mean executive, managerial, directorial, administrative, strategic, business development or supervisory responsibilities and activities relating to all aspects of multifamily rental real estate ownership, management, multifamily rental real estate franchising, and multifamily rental real estate joint-venturing.

(b) NON-SOLICITATION. For so long as the Executive remains employed by the Company (or any successor thereto) and for one year following termination of employment, regardless of reason, Executive shall not, without the prior written consent of the Company, except in the course of carrying out his duties hereunder, solicit or attempt to solicit for employment with or on behalf of any corporation, partnership, venture or other business entity, any employee of the Company or any of its affiliates or any person who was formerly employed by the Company or any of its affiliates within the preceding six months, unless such person's employment was terminated by the Company or any of such affiliates.

(c) SPECIFIC ENFORCEMENT. Executive and the Company agree that the restrictions, prohibitions and other provisions of this Section 8 are reasonable, fair and equitable in scope, terms, and duration, are necessary to protect the legitimate business interests of the Company and are a material inducement to the Company to enter into this Agreement. Should a decision be made by a court of competent jurisdiction that the character, duration or

geographical scope of the provisions of this Section 8 is unreasonable, the parties intend and agree that this Agreement shall be construed by the court in such a manner as to impose all of those restrictions on Executive's conduct that are reasonable in light of the circumstances and as are necessary to assure to the Company the benefits of this Agreement. The Company and Executive further agree that the services to be rendered under this Agreement by Executive are special, unique and of extraordinary character, and that in the event of the breach by Executive of the terms and conditions of this Agreement or if Executive, without the prior consent of the Board of Directors, shall take any action in violation of this Section 8, the Company will suffer irreparable harm for which there is no adequate remedy at law. Accordingly, Executive hereby consents to the entry of a temporary restraining order or ex parte injunction, in addition to any other remedies available at law or in equity, to enforce the provisions hereof. Any proceeding or action seeking equitable relief for violation of this Section 8 must be commenced in the federal or state courts, in either case in Virginia. Executive and the Company

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irrevocably and unconditionally submit to the jurisdiction of such courts and agree to take any and all future action necessary to submit to the jurisdiction of and venue in such courts.

9. NOTICE. Any notice required or permitted hereunder shall be in writing and shall be deemed sufficient when given by hand or by nationally recognized overnight courier or by Express, registered or certified mail, postage prepaid, return receipt requested, and addressed, if to the Company at 2900 Eisenhower Avenue, Suite 300, Alexandria, VA 22303, Attention: Chief Executive Officer (with a second copy, sent by the same means and to the same address, Attention: General Counsel), and if to Executive at the address set forth in the Company's records (or to such other address as may be provided by notice).

10. MISCELLANEOUS. This Agreement, together with Annex A and Annex B and the Split Dollar Insurance Agreement and any Equity Award Agreements now or hereafter in effect, constitutes the entire agreement between the parties concerning the subjects hereof and supersedes any and all prior agreements or understandings, including, without limitation, any plan or agreement providing benefits in the nature of severance, but excluding benefits provided under other Company plans or agreements, except to the extent this Agreement provides greater rights than are provided under such other plans or agreements. This Agreement may not be assigned by Executive without the prior written consent of the Company, and may be assigned by the Company and shall be binding upon, and inure to the benefit of, the Company's successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. Headings herein are for convenience of reference only and shall not define, limit or interpret the contents hereof.

11. AMENDMENT. This Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective. No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

12. SEVERABILITY. The provisions of this Agreement are severable. The invalidity of any provision shall not affect the validity of any other provision, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

#### 13. RESOLUTION OF DISPUTES.

(a) PROCEDURES AND SCOPE OF ARBITRATION. Except for any controversy or claim seeking equitable relief pursuant to Section 8 of this Agreement, all controversies and claims arising under or in connection with this Agreement or relating to the interpretation, breach or enforcement thereof and all other disputes between the parties, shall be resolved by expedited, binding arbitration, to be held in the District of Columbia metropolitan area in accordance with the applicable rules of the American Arbitration Association governing employment disputes (the "National Rules"). In any proceeding relating to the amount owed to Executive in connection with his termination of employment, it is the contemplation of the parties that the only remedy that the arbitrator may award in such a proceeding is an amount equal to the termination payments, if any, required to be provided under the applicable provisions of Section 7(c) and, if applicable, Section 7(d) hereof, to the extent not previously paid, plus the costs of arbitration and Executive's reasonable

attorneys fees and expenses as provided below. Any award made by such arbitrator shall be

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final, binding and conclusive on the parties for all purposes, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) ATTORNEYS FEES.

(i) REIMBURSEMENT AFTER EXECUTIVE PREVAILS. Except as otherwise provided in this paragraph, each party shall pay the cost of his or its own legal fees and expenses incurred in connection with an arbitration proceeding. Provided an award is made in favor of Executive in such proceeding, all of his reasonable attorneys fees and expenses incurred in pursuing or defending such proceeding shall be promptly reimbursed to Executive by the Company within five days of the entry of the award. Any award of reasonable attorneys' fees shall take into account any offer of the Company, such that an award of attorneys' fees to the Executive may be limited or eliminated to the extent that the final decision in favor of the Executive does not represent a material increase in value over the offer that was made by the Company during the course of such proceeding. However, any elimination or limitation on attorneys' fees shall only apply to those attorneys' fees incurred after the offer by the Company.

(ii) REIMBURSEMENT IN ACTIONS TO STAY, ENJOIN OR COLLECT. In any case where the Company or any other person seeks to stay or enjoin the commencement or continuation of an arbitration proceeding, whether before or after an award has been made, or where Executive seeks recovery of amounts due after an award has been made, or where the Company brings any proceeding challenging or contesting the award, all of Executive's reasonable attorneys fees and expenses incurred in connection therewith shall be promptly reimbursed by the Company to Executive, within five days of presentation of an itemized request for reimbursement, regardless of whether Executive prevails, regardless of the forum in which such proceeding is brought, and regardless of whether a Change in Control has occurred.

(iii) REIMBURSEMENT AFTER A CHANGE IN CONTROL. Without limitation on the foregoing, solely in a proceeding commenced by the Company or by Executive after a Change in Control has occurred, the Company shall advance to Executive, within five days of presentation of an itemized request for reimbursement, all of Executive's legal fees and expenses incurred in connection therewith, regardless of the forum in which such proceeding was commenced, subject to delivery of an undertaking by Executive to reimburse the Company for such advance if he does not prevail in such proceeding (unless such fees are to be reimbursed regardless of whether Executive prevails as provided in clause (ii) above).

14. SURVIVORSHIP. The provisions of Sections 4(b), 6, 8 (to the extent described below) and 13 of this Agreement shall survive Executive's termination of employment. Other provisions of this Agreement shall survive any termination of Executive's employment to the extent necessary to the intended preservation of each party's respective rights and obligations. The provisions of Section 8(a) shall in no event apply if Executive's employment terminates for any reason after the expiration of the Employment Period (for clarification, this means that if Executive's employment terminates on or prior to the expiration of the Original Term or any later Renewal Term then the one year post-termination non-compete set forth in Section 8(a) will apply if the termination is for one of the reasons set forth in Section 8(a)). The provisions of Section 8(b) shall apply during the Employment Period, and shall also apply with respect to any termination of Executive's employment for any reason during the two year period following the expiration of the Employment Period (for clarification, this means that if Executive's employment terminates for any reason on or prior to the second anniversary of the expiration of the Original Term or any later Renewal Term, then the non-solicitation requirement of Section 8(b) shall apply to Executive for one year following

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termination of employment).

15. BOARD ACTION. Where an action called for under this Agreement is required to be taken by the Board of Directors, such action shall be taken by the vote of not less than a majority of the members then in office and authorized to vote on the matter.

16. WITHHOLDING. All amounts required to be paid by the Company shall be subject to reduction in order to comply with applicable federal, state and local tax withholding requirements.

17. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

18. GOVERNING LAW. This Agreement shall be construed and regulated in all respects under the laws of the State of Maryland.

IN WITNESS WHEREOF, this Agreement is entered into as of the date and year first above written.

AVALONBAY COMMUNITIES, INC.

By: /s/ BRYCE BLAIR

-----  
Bryce Blair

Its: Chief Executive Officer

/s/ TIMOTHY J. NAUGHTON

-----  
Timothy J. Naughton

February 26, 2001

Mr. Robert H. Slater  
816 Emerald Drive  
Alexandria, VA 22308

Dear Mr. Slater:

This letter agreement (the "Agreement") confirms the terms of the termination of Executive's employment with AvalonBay Communities, Inc. (the "Company," a term which for purposes of this Agreement includes its related or affiliated entities).

1. MODIFICATION OF EXISTING EMPLOYMENT AGREEMENT. Robert H. Slater ("Executive") and the Company acknowledge that they are parties to a certain written employment agreement dated March 9, 1998, as amended by them on July 30, 1999 (collectively, "Employment Agreement"). This letter, when executed by the parties hereto, constitutes an amendment to the Employment Agreement, in accordance with Section 11 thereof.
2. TERMINATION DATE. It is mutually agreed that the effective date of termination of Executive's Employment Agreement, except for certain provisions thereof as provided herein, shall be March 29, 2002 or such earlier date as the Company and Executive may reasonably agree ("Termination Date"). Notwithstanding anything to the contrary in Sections 1 or 7(c)(iv) of the Employment Agreement, the Company shall not be obligated to give to Executive Notice of Nonrenewal pursuant to Section 1 of the Employment Agreement and Executive waives receipt of such notice.
3. DEPARTURE DATE. Notwithstanding the provisions of paragraph 2, Employment Duties, of the Employment Agreement, it is agreed that Executive shall cease serving as the Executive Vice President of the Company on April 30, 2001, or such other date as shall be mutually agreeable to the Company and Executive (the "Departure Date"), and Executive's current duties and authority shall thereupon cease. Such cessation of title, duties, and responsibilities shall in no event constitute a Constructive Termination without Cause. Executive agrees that as of the Departure Date he shall be deemed to have resigned as an officer of AvalonBay Communities, Inc. and as a director and/or officer of all subsidiaries and affiliates thereof, as applicable.
4. CONSULTING DUTIES.
  - (a) CONSULTING SERVICES. From and after the Departure Date, and until March 29, 2002 (the "Consulting Period"), Executive will perform services for the Company as a

consultant. The legal status of Executive's consultancy will be as an independent contractor. Executive will make himself available to perform consulting services, including, but not limited to, legal assistance services, on a part-time basis only, at times and upon notice reasonably acceptable to Executive. The Company agrees to utilize the consulting services of Executive at times and places which do not interfere with Executive's post-departure business or employment activities. During the Consulting Period, Executive shall be free to pursue other business opportunities or employment, except to the extent that such other business opportunities or employment violate Section 13(d) hereof. Executive shall not be required to provide consulting services in a manner that unreasonably interferes with his ability to pursue such other business opportunities or employment.

- (b) TECHNICAL SUPPORT. During the Consulting Period, and, in any event until at least March 29, 2002, the Company will maintain for Executive at its headquarters a direct dial telephone number, voicemail, the reasonable support of an administrative assistant and, at reasonable times and upon reasonable notice, information technology support. In addition to using these resources as a consultant to the Company, Executive may use these resources for personal use as well.

5. COMPENSATION/BENEFITS UNTIL TERMINATION DATE.
  - (a) BASE SALARY. From and after the Departure Date and until the Termination Date, Executive will continue to receive his base salary (at its rate as adjusted in February 2001 for commencement on March 1, 2001) in accordance with Section 3(a) of the Employment Agreement.
  - (b) BONUSSES. In respect of the bonus provided in Section 3(b) of the

Employment Agreement, the Company agrees to pay the Executive a full cash bonus for the year 2001 at the time such year 2001 bonuses are paid to other Company officers, i.e., on or about February 2002. The cash bonus paid to the Executive for 2001 will be \$253,328 (i.e., the average of Executive's cash bonuses received in respect of 1998 (225,000), 1999 (\$214,828) and 2000 (\$320,158)). No other bonus or bonuses pursuant to Section 3(b) of the Employment Agreement will be paid.

(c) MEDICAL INSURANCE/PHYSICAL. From and after the Departure Date and until the Termination Date, the Company will continue to provide to Executive and Executive's immediate family the health insurance which Executive and Executive's family are receiving pursuant to Section 3(c) of the Employment Agreement, including one comprehensive physical after the date hereof (with no reimbursement for travel related to obtaining such physical).

(d) LIFE INSURANCE/DISABILITY INSURANCE. From and after the Departure Date and until the Termination Date, the Company will continue to provide the Executive Life Insurance/Disability Insurance benefits as currently provided pursuant to Section 3(d) of the Employment Agreement.

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(e) STOCK GRANTS. Executive shall be eligible for an employee stock grant for the year 2001 on the same basis as other senior managers of the Company as if Executive had served as an employee under the provisions of the Employment Agreement for the full year 2001. The grant will be made at the same time as grants are made to other senior managers of the Company for the year 2001. The grant (the "2001 Grant") will be fully vested and freely tradable when conferred. The grant will be determined by applying to Executive's target grant level for the year 2001 (which is the same as Executive's potential target grant level as for the year 2000) the same percentage realization as is applied to other senior managers of the Company whose percentage realization is determined in the same manner. In addition, on or about February 2002, restricted shares granted in prior years that were scheduled to vest at that time shall vest in accordance with their terms (the "2002 Vesting Shares").

(f) STOCK OPTIONS. On or prior to the Departure Date, the Company shall grant to Executive 46,375 employee stock options, and thereafter Executive shall not be eligible to receive any other award of stock options for the year 2001. Such options will expire on February 15, 2007, which will be unaffected by the termination of the Employment Agreement or the termination of Executive's employment. The Executive shall enter into the Company's standard form option agreement as currently in use, and such option award shall be subject to the provisions of such stock option agreement as modified by the terms of this Agreement (collectively, the "Stock Option Agreement").

(g) BUSINESS EXPENSES. The Company shall reimburse Executive for reasonable and customary business expenses incurred by Executive in the course of performing Executive's consultant duties for the Company through the Termination Date

6. COMPENSATION/BENEFITS FOLLOWING TERMINATION DATE.

(a) COVERED AVERAGE COMPENSATION. The Company shall provide Executive, for twelve (12) consecutive months, commencing with April 2002, a gross monthly payment in the amount of \$116,536 (i.e., \$1,398,437 in the aggregate). Executive and Company agree that this amount fulfills Company's obligations under Section 7(c) of the Employment Agreement. The Company may elect to make these payments at the times that the Company's regular payroll checks are issued, such that the gross aggregate amount of \$1,398,437 is paid over a 12 month period by payment of regular payroll checks or direct deposit.

(b) MEDICAL AND DISABILITY BENEFITS. The Company will continue, without cost to Executive, benefits comparable to the medical and disability benefits provided to Executive immediately prior to the Termination Date under Sections 3(c) and 3(d) of the Employment Agreement for a period of twenty-four (24) months following the Termination Date or until such earlier date as Executive may obtain comparable benefits through other employment (whether self-employment or otherwise). Upon obtaining medical or disability benefits through other employment comparable to

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those provided to Executive under Sections 3(c) or 3(d) of the Employment Agreement, Executive will promptly notify the Company in



writing.

(c) SPLIT-DOLLAR LIFE INSURANCE POLICY. The Company will continue to pay, for so long as such payments are due, all premiums then due and payable on, but only to the extent relating to the whole-life portion of, the split-dollar life insurance policy obtained pursuant to Section 3(d) of the Employment Agreement; provided that the Company's obligation to pay under this Section 6(c) are conditioned upon Executive's payment of all premiums payable on, but only to the extent relating to the term life portion of, said split-dollar life insurance policy. Executive agrees to cooperate with the Company in verifying Executive's continuing satisfaction of the foregoing condition. The Company agrees to promptly notify Executive, and Executive agrees to promptly notify the Company, of any premium notice or other notice it or Executive receives from the insurer relating to the policy. In the event that the Company determines its obligation to make payments under this Section 6(c) has ceased by reason of Executive's nonpayment of premiums relating to the life insurance portion of said split-dollar life insurance policy, the Company shall provide Executive with thirty (30) days' written notice of its intent to terminate payments hereunder. Such notice shall identify specifically Executive's nonpayment of the term life insurance premium as the basis upon which the Company asserts its right to cease payments and shall provide Executive with a reasonable opportunity to cure.

(d) STOCK GRANTS. In addition to the 2001 Grant and the 2002 Vesting Shares referred to in Section 5(e), all other shares of the Company's stock that Executive was granted as restricted shares shall vest as of the Termination Date. Upon the occurrence of the Termination Date, the Company shall (or the Company shall cause the Company's transfer agent to) (i) promptly deliver to Executive certificates representing such shares with no restrictive legends, and such shares shall be freely transferable by Executive subject to applicable securities laws; and (ii) remove or cause to be removed all restrictive legends on shares previously issued to Executive. Executive acknowledges that the Company has advised him to consult an attorney regarding Executive's continuing obligations under Section 16 of the Securities Exchange Act of 1934, as amended, Rule 144 promulgated under the Securities Act of 1933, as amended, as well as other federal and state securities laws, including insider trading laws and regulations. For convenience, EXHIBIT A sets forth a list of all shares of restricted stock Executive was granted and that (to the extent Executive has not disposed of any prior to such date) Executive will retain following the Date of Termination.

(e) STOCK OPTIONS.

(A) In accordance with Section 7(c) of the Employment Agreement, all options to purchase shares of the Company's common stock that Executive has been or may be granted prior to the Departure Date will vest as of the Departure Date (i.e., April 30, 2001). For convenience, EXHIBIT B hereto sets forth the

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options (with applicable option exercise prices and expiration dates) which Executive holds as of today.

(B) The Board of Directors, or the compensation committee of the Board of Directors, of the Company has taken or will take such action as is necessary so that, with respect to the options granted with respect to year 2000 (granted in February 2001) and year 2001 (to be granted prior to the Departure Date, in accordance with Section 5(f) hereof), Executive will have until February 13, 2006 (in the case of the options granted with respect to 2000) and until February 15, 2007 (in the case of the options granted with respect to 2001) to exercise the options (collectively, the "Extended Options").

(C) In accordance with the terms of the option agreements and the Company's stock incentive plan, because of Executive's "other business relationship" as a consultant to the Company, all options other than the Extended Options shall continue until the later of (i) their stated expiration date, (ii) 90 days after the Termination Date (or, in the event Executive's services under Section 4 terminate earlier than the Termination Date as determined by mutual agreement between the Company and Executive or by a final arbitration decision to such effect, then 90 days from such earlier termination), or (iii) in the case of Disability or Death (as defined in the applicable stock option agreements), the date provided in the stock option agreements for such occurrence. In accordance with paragraph (B) of this Section 6(e) the Extended Options

shall not expire until their stated expiration date regardless of earlier death, disability or other occurrence.

(D) The Company will provide reasonable and customary cooperation in Executive's consummation of a "cashless exercise" with a broker in which the proceeds of the sale of shares of the Company common stock are used, directly or indirectly, to finance Executive's remittance of the exercise price on the options. Beginning on the third business day after the public disclosure of the Company's second quarter 2001 earnings, or such earlier time after the Departure Date as the Company reasonably determines is appropriate, the Company will in no event assert that Executive is in possession of information regarding the Company such that there is a basis for the Company to not provide such cooperation. The Company has agreed that the payment of the exercise price for any such option also may be made, in accordance with the terms of the Stock Option Agreements, by Executive in the form of shares of Company stock which are unrestricted and which have been held by Executive for at least six (6) months. In the event of Executive's death, Executive's options shall be exercisable by Executive's legal representative or legatee in accordance with their terms.

(f) EXCISE TAX. The Company has determined in good faith, after consultation with Arthur Anderson LLP, that none of the payments provided hereunder is subject to an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended. The provisions of Section 7(d) of the Employment Agreement shall survive the

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Termination Date. Notwithstanding the provisions of the Employment Agreement, however, for purposes of application of said Section 7(d) of the Employment Agreement and for purposes of this Agreement, the term "Accounting Firm" shall be deemed to refer to Arthur Anderson LLP.

(g) OUTPLACEMENT SERVICES. Executive may retain, in his sole discretion, services of a recognized professional outplacement services firm, including but not limited to David Kyle of Lind and Kyle Consultants, to provide such services to Executive as Executive may require to find employment between the date hereof and the date Executive accepts full time employment (including self-employment) or one (1) year following the Departure Date, whichever occurs first. The Company will reimburse Executive for up to Twenty-Five Thousand Dollars (\$25,000) in services rendered by the outplacement services firm in accordance with the provisions of this Section 6(g). If Executive so elects, Executive and the Company will select a mutually agreeable outplacement services firm (which may include Lind and Kyle) to be retained by the Company to provide the outplacement services described in this Section 6(g), in which event the Company shall pay the outplacement services firm directly for services rendered to and on behalf of Executive.

(h) PROFESSIONAL ADVICE. The Company will reimburse Executive for up to Fifteen Thousand Dollars (\$15,000) in attorneys' fees actually incurred by Executive in association with his departure from and termination of employment with the Company, including review of the Employment Agreement and professional services leading to the execution of this Agreement. The Company will reimburse Executive for up to Five Thousand Dollars (\$5,000) for tax advice obtained by Executive from a public accounting firm or other financial advisor associated with and relating to his departure from and termination of employment with the Company.

(i) DEFERRED COMPENSATION. Executive may elect to defer the payout of his vested deferred compensation so that it will be paid out over a term of five (5) years following the Termination Date. To make such an election, Executive must submit written notice thereof to the Company's General Counsel not later than ten (10) business days following the execution of this Agreement.

(j) LITIGATION ASSISTANCE. Executive agrees to provide reasonable cooperation in connection with any ongoing or future litigation matter in which his knowledge and experience as to the matter involved makes his assistance of value to the Company, as determined by the Company in its reasonable discretion.

7. MATERIAL BREACH.

(A) In the event that Executive willfully and materially breaches the terms of Sections 8(b), 10 (but only to the extent that Section 10 incorporates by reference Sections 6(b) and Annex B of the Employment Agreement), 11, 12, 13(a), 13(c), 13(d) or 13(e) of this Agreement (a

"Material Breach") at any time after the date hereof and within twenty-four (24) months following the Termination Date (or,

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with respect to a particular provision, until the expiration of his obligations with respect to such provision), in addition to the Company's rights to obtain equitable relief or damages for such breach, the Company may suspend the full original or remaining amount of each tranche of Extended Options (any such suspended options, "Suspended Options"). The Company shall suspend Executive's right to exercise the Suspended Options by (i) filing a request for arbitration within a reasonable time after any senior manager (i.e., any individual holding the title of Senior Vice President or higher) learns of the Material Breach, which request specifically states that the Company is suspending Executive's right to exercise, or (ii) in the event the Company reasonably determines that Executive's asserted Material Breach is curable, by sending Executive a written notice describing the Material Breach and the steps Executive must take to cure such Material Breach. In the event that the Company asks Executive to cure a Material Breach and Executive fails to cure such breach to the Company's satisfaction within five (5) business days following delivery to Executive of written notice from the Company, the Company then may commence an arbitration proceeding, in which case Executive's right to exercise the Suspended Options will remain suspended. In the event that an arbitrator determines that Executive has not committed a Material Breach, the arbitrator may award Executive damages directly caused by the suspension of Executive's right to exercise the Suspended Options. In the event that an arbitrator determines that Executive has committed a Material Breach, the exercise period of the Suspended Options shall terminate immediately without further action or decision by the arbitrator, without prejudice to the Company's right to obtain equitable relief or damages for such Material Breach; provided that an award of additional damages (if any) shall take into account termination of the Suspended Options. Nothing contained herein otherwise shall be deemed to limit the Company's right to obtain equitable relief or damages for a Material Breach that occurs prior to or within twenty-four (24) months following the Termination Date.

(B) Because a violation prior to the Termination Date by Executive of Sections 13(a) or 13(e) of this Agreement may cause the Company to incur great and irreparable damage, Executive and Company agree that if Executive willfully and materially breaches Sections 13(a) or 13(e) of this Agreement prior to the Termination Date, then, in addition to whatever other remedies the Company may have, the Company's obligations to make or continue to make future payments and deliveries ("Payments") under Sections 5(a) (base salary), 5(b) (2001 cash bonus) and 5(e) (2001 Grant and 2002 Vesting Shares) shall cease (a "termination for Cause"), PROVIDED, HOWEVER, that any termination for Cause shall be subject to the following:

(i) Notice of intention to terminate for Cause has been given to Executive in writing by the Company within 30 days after the Chief Executive Officer of the Company learns of the act, failure to act or

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event (or latest in a series of acts, failures to act or events) constituting Cause;

(ii) Executive has been given written notice of the particular acts, failures to act or events which forms the basis for the Company's assertion for a termination for Cause and has been afforded at least 30 days in which (A) to present his position with respect to such basis in writing in person with counsel present at a meeting of the Company's Board of Directors and, (B) if, in the reasonable judgment of the Company, such act, failure to act or event is curable, Executive has been given a reasonable opportunity to cure the asserted basis for Cause; and

(iii) In the event that two-thirds of the Company's

outside Board of Directors reasonably determines that Executive's written statement of his position with respect to the Company's assertion of Cause is not satisfactory and, if curable, Executive failed to cure to the Company's reasonable satisfaction, the Company then may commence an arbitration proceeding to establish its right to terminate for Cause. In the event that an arbitrator determines that the Company does not have a right to terminate for Cause, the Company's obligation to continue making Payments under Sections 5(a), 5(b) and 5(e) shall continue. The arbitration shall take place in accordance with the procedures described in paragraph 17(e) hereof. In the event that the date of payment for any Payment occurs while the process described in subsections (i) through (iii) hereof is pending, the Company shall pay that installment of the cash (and deliver the shares contemplated by Section 5(e)) into an escrow account in accordance with and subject to the escrow provisions of Section 17(e) hereof. The arbitrator shall direct that the amount held in escrow, including accrued interest (and dividends on shares), be paid over to the prevailing party. Nothing in this Section 7(B) shall be deemed to preclude the Company or Executive from seeking equitable relief in a court as specified in, and for the limited purposes set forth in, this Agreement (or the Employment Agreement, to the extent incorporated herein).

The provisions of this Section 7(B) shall not apply after a Change in Control (as defined in the Employment Agreement) or after the Termination Date, and after a Change in Control or after the Termination Date the Company's remedy for a breach by Executive of Sections 13(a) or 13(e) shall be to (i) to the extent permitted, take the actions contemplated by Section 7(A) and/or (ii) seek injunctive relief and/or (iii) bring an arbitration proceeding for monetary damages.

8. RELEASE OF CLAIMS.

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(a) Executive, on behalf of himself and his successors, heirs, assigns, executors, administrators and/or estate, hereby irrevocably and unconditionally release, acquit and forever discharge the Company, its subsidiaries, divisions and related or affiliated entities, and each of their respective predecessors, successors or assigns, and the officers, directors, partners, shareholders, representatives, employees and agents of each of the foregoing (the "Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred), known or unknown, that directly or indirectly arise out of, relate to or concern Executive's employment or termination of employment with the Company ("Claims"), which Executive has, owns or holds, or at any time heretofore had, owned or held against the Releasees up to the date on which Executive executes this Agreement, including without limitation, express or implied, all Claims for: breach of express or implied contract; promissory estoppel; fraud, deceit or misrepresentation; intentional, reckless or negligent infliction of emotional distress; breach of any express or implied covenant of employment, including the covenant of good faith and fair dealing; interference with contractual or advantageous relations; discrimination on any basis under federal, state or local law, including without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, as amended, The Age Discrimination in Employment Act, as amended, and the [California Fair Employment and Housing Act, Cal. Gov't. Code Sections 12940, ET SEQ., as amended;] and all claims for defamation or damaged reputation.

(b) Executive represents and warrants that he has not filed any complaints or charges asserting any Claims against the Releasees with any local, state or federal agency or court. Executive further represents and warrants that he has not assigned or transferred to any person or entity any Claims or any part or portion thereof.

(c) Executive agrees that he will not hereafter pursue any Claim against any Releasee (including without limitation any claim seeking reinstatement with, or damages of any nature, severance, incentive or retention pay, attorney's fees, or costs) by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of Executive's employment; PROVIDED, however, that nothing in this Section 8 shall be deemed to

release the Company from any claims that Executive may have (i) under this Agreement, (ii) for indemnification pursuant to and in accordance with applicable statutes, the by-laws of the Company and Section 4(b) of the Employment Agreement, (iii) vested pension or retirement benefits under the terms of qualified employee pension benefit plans, (iv) accrued but unpaid wages, or (v) for excise tax payments pursuant to Section 7(d) of the Employment Agreement.

9. RELEASE BY THE COMPANY.

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(a) The Company, on behalf of itself, its subsidiaries, divisions and related or affiliated entities and each of their respective predecessors, successors or assigns hereby irrevocably and unconditionally releases, acquits and forever discharges Executive, Executive's successors, heirs, assigns, executors, administrators and/or estate (the "Slater Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorney's fees and costs actually incurred) that directly or indirectly arise out of, relate to or concern Executive's employment or termination of employment with the Company (the "Company Claims") which the Company has, owns or holds, or at any time heretofore had, owned or held against the Slater Releasees up to the date on which it executes this Agreement.

(b) The Company represents and warrants that it has not filed any complaints or charges asserting any Company Claims against the Slater Releasees with any local, state or federal agency or court. The Company further represents and warrants that it has not assigned or transferred to any person or entity any Company Claims or any part or portion thereof.

(c) The Company agrees that it will not hereafter pursue any Company Claims against any Slater Releasees by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of Executive's employment; PROVIDED, HOWEVER, that nothing in this Section 9 shall be deemed to release Executive from any claims the Company may have (i) under this Agreement, or (ii) for breaches prior to the date hereof of the nondisclosure provisions of Section 6 of the Employment Agreement or Annex B to the Employment Agreement.

10. EMPLOYMENT AGREEMENT. Except as set forth in the next sentence or as expressly provided elsewhere in this Agreement, this Agreement supersedes all provisions of the Employment Agreement as of the Termination Date only. Nothing contained herein, however, shall be deemed to terminate Executive's obligations to the Company or the Company's obligations to Executive under Sections 4(b) (Indemnification), 6 (Records/Nondisclosure/Company Policies), 7(d) (Excise Tax Payment), 8(c) (Specific Enforcement), and 13(a) (Resolution of Disputes) (as modified by Section 17 hereinbelow) of the Employment Agreement, Annexes A (Code of Ethics) or B (Nondisclosure Agreement, provided however that Executive's obligation to return documents in accordance with Annex B shall be effective as of the Termination Date and not as of the Departure Date except as the Company may otherwise request in writing) thereto, or the Company's Stock Option Plan or the Stock Option Agreements entered into by Executive from time to time (as modified by Section 6(f) hereinabove).

11. RETURN OF PROPERTY. In accordance with Section 4 of the Nondisclosure Agreement, dated as of March 9, 1998, by and between Executive and Bay Apartment

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Communities, Inc. (a predecessor name to the Company), and incorporated in the Employment Agreement as Annex B ("Nondisclosure Agreement"), Executive agrees that promptly following the Departure Date he will return to the Company (a) all records, manuals, correspondence, notes, financial statements, computer printouts and other documents and recorded material of every nature (including copies thereof) that may be in Executive's possession or control dealing with Confidential Information (as defined in Section 8 of the Nondisclosure Agreement) and, (b) other property, in each case except to the extent that the Company agrees Executive may retain such material for purposes of fulfilling his consulting duties under Section 4. In any event, Executive may retain his laptop computer until the Termination Date. For the purpose of avoiding confusion, prior to the Departure Date Executive shall provide Company with a letter that lists the furniture and other items which are owned by Executive but which are currently

used in the Company's offices, and in the event that such items remain (with the Company's consent) in the Company's offices after the Departure Date, Executive may reclaim such items upon reasonable notice.

12. ADVERSE ACTIONS. Executive agrees that for forty-eight (48) months following the date Executive executes this Agreement without the prior written consent of the Company Executive shall not, directly or indirectly or in any manner, or solicit, request, advise, assist or encourage any other person or entity to, (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control (as that term is defined in the Employment Agreement) of the Company, including, for these purposes, without limitation, a valuation of the Company; (b) seek to change or control in any manner the management or the Board of Directors of the Company, or the business, operations or affairs of the Company; or (c) undertake an investment (other than in respect to the equity rights described in Section 6 above) in the Company.

13. NON-DISPARAGEMENT, NONDISCLOSURE AND NON-SOLICITATION.

(a) NON-DISPARAGEMENT. Executive and Company each agree that, if asked about the other, he or it will only speak or write positively of the other. However, for the purpose of avoiding disputes and litigation arising from a violation of this Section 13(a), Executive and Company each agree that there will only be a violation of this covenant if a party willfully disparages the other with the intent of harming the other. References to the Company in this Section 13(a) mean the following individuals of the Company: the Company's directors and any officer of the Company who holds a title equal to or senior to Senior Vice President. The provisions of this Section 13(a) shall not apply to any truthful statement required to be made by Executive or any director or senior officer of the Company, as the case may be, in any legal proceeding, governmental or regulatory investigation, in any public filing or disclosure legally required to be filed or made, and also shall not apply to any confidential discussion or consultation with professional advisors.

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(b) NON-DISCLOSURE OF TERMS OF AGREEMENT. Executive agrees not to disclose the terms of this Agreement, except (i) to Executive's professional advisors, including accountants and attorneys (provided they agree to keep such information confidential), (ii) to the extent that, prior to Executive's disclosure, the Company has previously disclosed such information publicly, whether in its filings with the Securities & Exchange Commission or otherwise, and (iii) (A) pursuant to a valid subpoena or (B) as otherwise required by law, but in either (iii) (A) or (iii) (B) only after providing the Company, to the attention of its Chief Executive Officer, with prior written notice and reasonable opportunity to contest such subpoena or other requirement. In the case of the circumstances contemplated by subsections 13(b) (iii) (A) or (B), written notice shall be provided to the Company as soon as practicable, but in no event less than five (5) business days before any such disclosure is compelled, or, if disclosure is compelled earlier, not later than the next business day following Executive's receipt of notice compelling such disclosure.

(c) NON-DISCLOSURE. In furtherance of Executive's obligations under this Agreement, Executive further agrees that he shall not disclose, provide or reveal, directly or indirectly, any confidential information concerning the Company, including without implication of limitation, their respective operations, plans, strategies or administration, to any other person or entity unless compelled to do so pursuant to (i) a valid subpoena or (ii) as otherwise required by law, but in either case only after providing the Company, to the attention of its Chief Executive Officer, with prior written notice and opportunity to contest such subpoena or other requirement. Written notice shall be provided to the Company as soon as practicable, but in no event less than five (5) business days before any such disclosure is compelled, or, if disclosure is compelled earlier, not later than the next business day following Executive's receipt of notice compelling such disclosure.

(d) COMPETITION. Until the Termination Date, Executive will be subject to and agrees to observe Section 8(a) of the Employment Agreement (as modified on July 30, 1999). The Company confirms that the Chief Executive Officer of the Company has been delegated by the Board (by resolution dated February 14, 2001) authority, without further Board consent, to provide a waiver to Executive of his obligations under Section 8(a) of the Employment Agreement. The Company agrees that nothing in this or any other agreement prohibits Executive, after the Termination Date, from competing with, or providing services to an entity that competes with, the Company; that such competition or services alone would not constitute a violation of this or any other

agreement or law; and that the Company will not assert that such competition or services alone constitutes a violation of this or any agreement or law on the theory that it inevitably would result in the disclosure of confidential information or trade secrets. This provision, however, shall not relieve Executive of any obligation Executive may have under the Employment Agreement, Annex B thereto, or common or statutory law not to actually disclose trade secrets or confidential information. Nor does this provision relieve Executive of his obligations under Section 12 or the other paragraphs of Section 13 of this Agreement.

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(e) NON-SOLICITATION. Commencing with the date of execution of this Agreement and continuing until two (2) years following the Termination Date, Executive shall not solicit or attempt to solicit for employment with or on behalf of any corporation, partnership, venture or other business entity, including any business operated by Executive as a sole proprietorship or for employment by Executive personally, any employee of the Company or any person who was formerly employed by the Company within the preceding six (6) months, unless such person's employment was terminated by the Company. The provisions of this Section 13(e) shall not apply to any solicitation by Executive of Brenda Putnam, provided such solicitation occurs on or after June 30, 2001.

14. EXCLUSIVITY. This Agreement sets forth all the consideration to which Executive is entitled by reason of the termination of Executive's employment, and Executive agrees that he shall not be entitled to or eligible for any payments or benefits under any other Company severance, bonus, retention or incentive policy, arrangement, plan or agreement.
15. TAX MATTERS. All payments and other consideration provided to Executive pursuant to this Agreement shall be subject to any deductions, withholding or tax reporting that the Company reasonably determines to be required for tax purposes; provided, that nothing contained in this Section 15 affects Executive's independent obligation and primary responsibility, which obligation and responsibility Executive hereby affirms, to determine and make proper judgments regarding the payment of taxes under applicable law.
16. REALEUM INVESTMENT.
- (a) On or about July 5, 2000, Executive was granted 1,000 LLC shares in AvalonBay Trillium Employee LLC ("Trillium LLC") under the Company's Special Technology Equity Grant Plan. Notwithstanding Section 3.1 of the Vesting Certificate related to such grant, on the Departure Date such 1,000 LLC shares shall vest. The Company hereby waives its right, under Section 3.4 of such Vesting Certificate, to exercise its repurchase right.
- (b) On or about July 5, 2000, Employee purchased, pursuant to the Company's Special Technology Equity Purchase Plan, 81,274 LLC shares in Trillium LLC for an aggregate purchase price of \$26,820.42. Such purchase was subject to a Vesting Certificate. The Company hereby waives its right, under Section 3.4 of such Vesting Certificate, to exercise its repurchase right.
- (c) The Company shall provide information regarding Trillium LLC to Executive to the same extent as the Company provides information regarding Trillium LLC generally to those members of Trillium LLC who are employees of the Company, provided that the Company may require a reasonable confidentiality letter before providing such information.

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17. ARBITRATION.
- (a) Any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be resolved in the manner set forth in Section 13(a) (Resolution of Disputes) of the Employment Agreement, as modified by this Section 17.
- (b) In the event any legal action or proceeding, including arbitration or declaratory relief, is commenced by the Company with respect to any controversy or claim arising out of or relating to this Agreement or the breach hereof, or otherwise to enforce any rights or obligations under this Agreement, the arbitrator or, in the case of a claim for equitable relief, the judge in such proceeding (i) shall have discretion to award to Executive if Executive is the prevailing party reasonable attorney's fees and costs, if any, in said action or proceeding, but (ii) regardless of the outcome in said action or

proceeding, shall not award to the Company any of its attorney's fees or costs.

(c) In the event any legal action or proceeding, including arbitration or declaratory relief, is commenced by Executive with respect to any controversy or claim arising out of or relating to this Agreement or the breach hereof, or otherwise to enforce any rights or obligations under this Agreement, the arbitrator or, in the case of a claim for equitable relief, the judge in such proceeding shall have discretion to award the prevailing party reasonable attorney's fees and costs, if any, in said action or proceeding.

(d) An award of attorney's fees and costs pursuant to subsections (b) or (c) above shall take into account the amount or degree of relief awarded to the prevailing party relative to that party's demands. An award of reasonable attorney's fees and costs also shall take into account any offer of settlement or judgment by the non-prevailing party. Attorney's fees and costs incurred by the prevailing party from and after the date of such an offer of settlement or judgment may be limited or eliminated to the extent that the value of the final judgment in favor of the prevailing party does not materially exceed the value of the offer of settlement or judgment.

(e) It is the intention of the Company to fulfill its obligations and make all payments and deliveries required under this Agreement. A non-material breach by Executive of this Agreement shall not justify the Company's failure to pay or deliver, it being the understanding that in the case of a non-material breach the Company's remedy is to commence an arbitration proceeding to determine the damages to the Company, which damages then may be set off against future payments. However, in the event Executive believes that any payments or deliveries are owed to Executive by the Company under this Agreement and have not been paid or delivered when due, Executive may make a written demand for payment or delivery. In such event, there shall be deemed to be a "Dispute." In the event of a Dispute, the Company shall deposit the overdue payment and delivery on which the Dispute is based to a mutually acceptable escrow agent to be held in an escrow account pending an arbitration award or satisfactory resolution of the Dispute by the parties. The escrowed cash payments

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shall be invested as directed by the Company, but if cumulative earnings as of the end of any calendar month are less than 18% (eighteen percent) on an annualized basis compounded monthly the Company shall pay an amount equal to the shortfall of such cumulative earnings into the escrow account monthly until the Dispute is resolved (said fees, deliveries, payments, or other consideration, together with interest thereon hereinafter referred to as the "Escrow"). Promptly following the commencement of a Dispute, Executive and the Company shall commence an arbitration proceeding to determine whether in fact the Company owes the Escrow to Executive. The arbitrator shall direct that the Escrow be paid over to the prevailing party. In connection with such arbitration, the Company shall advance Executive reasonable attorney's fees, subject to Executive's undertaking to repay such advanced fees in the event that Executive does not prevail on any material issue. In the event that the Company prevails in such an arbitration and the arbitrator finds that Executive's commencement of the Dispute was (i) not made in good faith or (ii) was reckless, then Executive shall pay to the Company interest on (i) the deposits made by the Company into the Escrow from time to time and (ii) the amount of advances for attorney's fees made from time to time at a rate of 8% (eight percent) (on an annualized basis compounded monthly).

18. NOTICES, ACKNOWLEDGMENTS AND OTHER TERMS

(a) Executive is advised to consult with an attorney and tax advisor before signing this Agreement. Executive acknowledges that he has consulted with an attorney of his choice.

(b) Executive acknowledges and agrees that the Company's promises in this Agreement include consideration in addition to anything of value to which Executive is otherwise entitled by reason of the termination of his employment.

(c) Executive acknowledges that he has been given the opportunity, if he so desires, to consider this Agreement for twenty-one (21) days before executing it. If Executive breaches any of the conditions of the Agreement within the twenty-one (21) day period, the offer of this Agreement will be withdrawn and Executive's execution of the Agreement will not be valid. In the event that Executive executes and returns this Agreement within twenty-one (21) days or less of the date of its delivery to Executive, Executive acknowledges that such decision was



entirely voluntary and that Executive had the opportunity to consider this letter agreement for the entire twenty-one (21) day period.

(d) By signing this Agreement, Executive acknowledges that he is doing so voluntarily and knowingly, fully intending to be bound by this Agreement. Executive also acknowledges that he is not relying on any representations by any representative of the Company concerning the meaning of any aspect of this Agreement. Executive understands that this Agreement shall not in any way be construed as an admission by the Company of any liability or any act of wrongdoing whatsoever by the Company

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against Executive and that the Company specifically disclaims any liability or wrongdoing whatsoever against Executive on the part of itself and its officers, directors, shareholders, employees and agents. Executive understands that if he does not enter into this Agreement and bring any claims against the Company, the Company will dispute the merits of those claims and contend that it acted lawfully and for good business reasons with respect to Executive.

(e) In the event of any dispute, this Agreement will be construed as a whole, will be interpreted in accordance with its fair meaning, and will not be construed strictly for or against either Executive or the Company. Section headings and parenthetical explanations of section references are for convenience only and shall not be used to interpret the meaning of any provision or term of this Agreement.

(f) Any notices required to be given under this Agreement shall be provided in writing and delivered by hand or certified mail, and shall be deemed to have been duly given when received at the following addresses, unless and to the extent that notice of change of address has been duly given hereunder

If to Executive at:

Mr. Robert Slater  
816 Emerald Drive  
Alexandria, VA 22308

with a copy to:

Herbert W. Krueger, Esq.  
Mayer Brown & Platt  
190 South LaSalle Street  
Chicago, IL 60603-3441

If to the Company, to it at:

AvalonBay Communities, Inc.  
2900 Eisenhower Avenue, Third Floor  
Alexandria, VA 22314  
Attention: Chief Executive Officer

with a copy to:

AvalonBay Communities, Inc.  
2900 Eisenhower Avenue, Third Floor  
Alexandria, VA 22314  
Attn: General Counsel

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and a copy to:

Robert M. Lieber, Esq,  
Littler Mendelson, PC  
650 California St., 20th Floor  
San Francisco, CA 94108-2693

(g) The law of the State of Virginia will govern any dispute about this Agreement, including any interpretation or enforcement of this Agreement.

(h) In the event that any provision or portion of a provision of this Agreement shall be determined to be illegal, invalid or unenforceable, the remainder of this Agreement shall be enforced to the fullest extent possible and the illegal, invalid or unenforceable provision or portion of a provision will be amended by a court of competent jurisdiction, or otherwise thereafter shall be interpreted, to reflect as nearly as possible without being illegal, invalid or unenforceable the parties' intent if possible. If such amendment or interpretation is not

possible, the illegal, invalid or unenforceable provision or portion of a provision will be severed from the remainder of this Agreement and the remainder of this Agreement shall be enforced to the fullest extent possible as if such illegal, invalid or unenforceable provision or portion of a provision was not included.

(i) This Agreement may be modified only by a written agreement signed by Executive and an authorized representative of the Company.

(j) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and, except as expressly provided herein, supersedes all prior agreements between the parties with respect to any related subject matter.

(k) This Agreement shall be binding upon each of the parties and upon their respective heirs, administrators, representatives, executors, successors and assigns, and shall inure to the benefit of each party and to their heirs, administrators, representatives, executors, successors, and assigns.

If Executive agrees to these terms, please sign and date below and return this Agreement to the Company's Chief Executive Officer by March 1, 2001. This Agreement may be executed in counterparts and/or by facsimile transmission, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

Sincerely,

AvalonBay Communities, Inc.

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By: \s\ RICHARD L. MICHAUX  
-----  
Richard L. Michaux

Its: Executive Chairman

Accepted and Agreed to:

\s\ ROBERT SLATER  
-----  
Robert Slater

Dated: \_\_\_\_\_

AVALON PROPERTIES, INC.  
1993 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Avalon Properties, Inc. 1993 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees and Directors of Avalon Properties, Inc. (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"ACT" means the Securities Exchange Act of 1934, as amended.

"AWARD" or "AWARDS," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options and Non-Qualified Stock Options.

"BOARD" means the Board of Directors of the Company.

"CAUSE" means and shall be limited to a vote of the Board of Directors resolving that the participant should be dismissed as a result of (i) any material breach by the participant of any agreement to which the participant and the Company are parties, (ii) any act (other than retirement) or omission to act by the participant which may have a material and adverse effect on the business of the Company or any Subsidiary or on the participant's ability to perform services for the Company or any Subsidiary, including, without limitation, the participant being convicted of any crime (other than ordinary traffic violations), or (iii) any material misconduct or neglect of duties by the participant in connection with the business or affairs of the Company or any Subsidiary.

"CHANGE OF CONTROL" is defined in Section 10.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"COMMITTEE" means the Board or any Committee of the Board referred to in Section 2.

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"DISABILITY" means disability as set forth in Section 22(e)(3) of the Code.

"DISINTERESTED PERSON" means a Non-Employee Director who qualifies as such under Rule 16b-3(c)(2)(i) promulgated under the Act, or any successor definition under the Act.

"EFFECTIVE DATE" means the date on which the Plan is approved by shareholders as set forth in Section 12.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the related rules, regulations and interpretations.

"FAIR MARKET VALUE" on any given date means the last reported sale price at which Stock is traded on such date or, if no Stock is traded on such date, the most recent date on which Stock was traded, as reflected on the New York Stock Exchange or, if applicable, any other national stock exchange on which the Stock is traded. Notwithstanding the foregoing, the Fair Market Value on the first day of the Company's initial public offering shall mean the initial public offering price.

"INCENTIVE STOCK OPTION" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"NON-EMPLOYEE DIRECTOR" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"NON-QUALIFIED STOCK OPTION" means any Stock Option that is not an Incentive Stock Option.

"OPTION" or "STOCK OPTION" means any option to purchase shares of Stock granted pursuant to Section 5.

"STOCK" means the Common Stock, \$.01 par value per share, of the Company, subject to adjustments pursuant to Section 3.

"SUBSIDIARY" means any corporation or other entity (other than the Company) in any unbroken chain of corporations or other entities, beginning with the Company if each of the corporations or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50% or more of the total combined voting power of all classes of stock or other interests in one of the other corporations or entities in the chain.

## SECTION 2. ADMINISTRATION OF PLAN; COMMITTEE AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) COMMITTEE. Prior to the date of the closing of the Company's initial public offering, the Plan shall be administered by the Board. On and after the date of the closing

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of the Company's initial public offering, the Plan shall be administered by all of the Non-Employee Director members of the Compensation Committee of the Board, or any other committee of not less than two Non-Employee Directors performing similar functions, as appointed by the Board from time to time. Each member of the Committee shall be a Disinterested Person on and after the date of the closing of the Company's initial public offering.

(b) POWERS OF COMMITTEE. The Committee shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the officers and other employees of the Company and its Subsidiaries to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options or Non-Qualified Stock Options granted to any one or more participants;

(iii) to determine the number of shares to be covered by any Award;

(iv) to determine and modify the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate the exercisability or vesting of all or any portion of any Option;

(vi) subject to the provisions of Section 5(a)(iii), to extend the period in which Stock Options may be exercised; and

(vii) to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Committee shall be binding on all persons, including the Company and Plan participants.

## SECTION 3. SHARES ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) SHARES ISSUABLE. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 10% of the shares of Stock sold in the Company's initial public offering. For purposes of this limitation, the shares of Stock

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underlying any Awards which are forfeited, cancelled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan so long as the participants to whom such Awards had been previously granted received no benefits of ownership of the underlying shares of Stock to which the Award related. Subject to such overall limitation, shares may

be issued up to such maximum number pursuant to any type or types of Award, including Incentive Stock Options. Shares issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(b) STOCK DIVIDENDS, MERGERS, ETC. In the event of a stock dividend, stock split or similar change in capitalization affecting the Stock, the Committee shall make appropriate adjustments in (i) the number and kind of shares of stock or securities on which Awards may thereafter be granted, (ii) the number and kind of shares remaining subject to outstanding Awards, and (iii) the option or purchase price in respect of such shares. In the event of any merger, consolidation, dissolution or liquidation of the Company, the Committee in its sole discretion may, as to any outstanding Awards, make such substitution or adjustment in the aggregate number of shares reserved for issuance under the Plan and in the number and purchase price (if any) of shares subject to such Awards as it may determine and as may be permitted by the terms of such transaction, or amend or terminate such Awards upon such terms and conditions as it shall provide (which, in the case of the termination of the vested portion of any Award, shall require payment or other consideration which the Committee deems equitable in the circumstances).

(c) SUBSTITUTE AWARDS. The Committee may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who concurrently become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

#### SECTION 4. ELIGIBILITY

Participants in the Plan will be such full or part-time officers and other employees of the Company and its Subsidiaries who are responsible for or contribute to the management, growth or profitability of the Company and its Subsidiaries and who are selected from time to time by the Committee, in its sole discretion. Non-Employee Directors are also eligible to participate in the Plan but only to the extent provided in Section 5(c) below.

#### SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

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Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after November 11, 2003.

(a) STOCK OPTIONS GRANTED TO EMPLOYEES. The Committee in its discretion may grant Stock Options to employees of the Company or any Subsidiary. Stock Options granted to employees pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(i) EXERCISE PRICE. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Committee at the time of grant but shall be not less than 100% of Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the option price shall be not less than 110% of Fair Market Value on the grant date.

(ii) GRANT OF OPTIONS IN LIEU OF CASH BONUS. Upon the request of an employee and with the consent of the Committee, such employee may elect to receive a Stock Option each calendar year in lieu of cash bonus to which he may become entitled during the following year pursuant to any other plan of the Company, but only if such employee makes an irrevocable election to waive receipt of all or a portion of such cash bonus. Such election shall be made no later than 15 days preceding January 1 of the calendar year in which the cash bonus would otherwise be paid. A Stock Option shall be granted to each employee who made such an irrevocable election on the date the waived cash bonus would otherwise be paid; provided, however, that with respect to an employee who is subject to Section 16 of the Act, if such grant date is not at least six months and one day from the date of the election, the

grant shall be delayed until the date which is six months and one day from the date of the election (or the next following business day, if such date is not a business day). The exercise price per share shall be the Fair Market Value of the Stock on the date the Stock Option is granted. The number of shares subject to the Stock Option shall be determined by dividing the amount of the waived cash bonus by the Fair Market Value of the Stock on the date the Stock Option is granted. The Stock Option shall be granted for whole number of shares so determined; the value of any fractional share shall be paid in cash. An employee may revoke his election under this Section 5(a)(ii) on a prospective basis at any time; provided, however, that with respect to an employee who is subject to Section 16 of the Act, such revocation shall only be effective six months and one day following the date of such revocation.

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(iii) OPTION TERM. The term of each Stock Option shall be fixed by the Committee, but except as provided in Sections 5(a)(vii) and (viii) no Incentive Stock Option shall be exercisable more than ten years after the date the option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five years from the date of grant.

(iv) EXERCISABILITY; RIGHTS OF A SHAREHOLDER. Stock Options shall become vested and exercisable at such time or times, whether or not in installments, as shall be determined by the Committee at or after the grant date; provided, however, that Stock Options in lieu of cash bonus shall be exercisable immediately. The Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a shareholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(v) METHOD OF EXERCISE. Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods:

(A) In cash, by certified or bank check or other instrument acceptable to the Committee;

(B) In the form of shares of Stock that are not then subject to restrictions under any Company plan and that have been held by the optionee for at least six months, if permitted by the Committee in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date; or

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure. Payment instruments will be received subject to collection.

The delivery of certificates representing shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the Optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by

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the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws.

(vi) NON-TRANSFERABILITY OF OPTIONS. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(vii) TERMINATION BY DEATH. If any optionee's employment by the Company and its Subsidiaries terminates by reason of death, the Stock Option may thereafter be exercised, to the extent exercisable at the date of death, by the legal representative or legatee of the

optionee, for a period of six months (or such longer period as the Committee shall specify at any time) from the date of death.

(viii) TERMINATION BY REASON OF DISABILITY.

(A) Any Stock Option held by an optionee whose employment by the Company and its Subsidiaries has terminated by reason of Disability may thereafter be exercised, to the extent it was exercisable at the time of such termination, for a period of twelve months (or such longer period as the Committee shall specify at any time) from the date of such termination of employment.

(B) The Committee shall have sole authority and discretion to determine whether a participant's employment has been terminated by reason of Disability.

(C) Except as otherwise provided by the Committee at the time of grant, the death of an optionee during a period provided in this Section 5(a)(viii) for the exercise of a Non-Qualified Stock Option shall extend such period for six months from the date of death.

(ix) TERMINATION FOR CAUSE. If any optionee's employment by the Company and its Subsidiaries has been terminated for Cause, any Stock Option held by such optionee shall terminate and be of no further force and effect after 30 days from the date of termination of employment or at the expiration of the stated term of the Option, if earlier.

(x) OTHER TERMINATION. Unless otherwise determined by the Committee, if an optionee's employment by the Company and its Subsidiaries terminates for any reason other than death, Disability, or for Cause, any Stock Option held by such optionee may thereafter be exercised, to the extent it was exercisable on the date of termination of employment, for three months (or such longer period as the Committee shall specify at any time) from the date of termination of employment or until the expiration of the stated term of the Option, if earlier.

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(xi) ANNUAL LIMIT ON INCENTIVE STOCK OPTIONS. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its Subsidiaries become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000.

(xii) FORM OF SETTLEMENT. Shares of Stock issued upon exercise of a Stock Option shall be free of all restrictions under the Plan, except as otherwise provided in this Plan.

(b) RELOAD OPTIONS. At the discretion of the Committee, Options granted under Section 5(a) may include a so-called "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of Stock in accordance with Section 5(a)(v)(B) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with the same expiration date as the original Option being exercised, and with such other terms as the Committee may provide) to purchase that number of shares of Stock equal to the number delivered to exercise the original Option.

(c) STOCK OPTIONS GRANTED TO NON-EMPLOYEE DIRECTORS.

(i) AUTOMATIC GRANT OF OPTIONS. Each Non-Employee Director who becomes a Director of the Company on or before the date 30 days after the closing of the Company's initial public offering shall automatically be granted a Non-Qualified Stock Option to purchase 5,000 shares of Stock on such date at a price per share equal to the greater of the Fair Market Value on the date of grant or \$20.50. Each Non-Employee Director who is serving as Director of the Company on the fifth business day after each annual meeting of stockholders, beginning with the 1994 annual meeting, shall automatically be granted on such day a Non-Qualified Stock Option to acquire 3,000 shares of Stock. Except as provided in the preceding sentence, the exercise price per share for the Stock covered by a Stock Option granted hereunder shall be equal to the Fair Market Value of the Stock on the date the Stock Option is granted.

(ii) GRANT OF OPTIONS IN LIEU OF DIRECTOR'S FEES. Each Non-Employee Director shall receive a Non-Qualified Stock Option each calendar year in lieu of cash director's fees he would otherwise receive for such year, but only if the Non-Employee Director makes an

irrevocable election to waive receipt of all or a portion of such cash director's fees. Such election shall be made during the 30-day period immediately preceding January 1 of a calendar year and shall be effective six months and one day following the date of such election. A Non-Qualified Stock Option shall be granted to each Non-Employee Director who made such an irrevocable election on each July 15 and January 15 (or the next following business day, if such date is not a business day) with respect to the waived amount of director's fees earned for the six-month period ending June 30 and December 31,

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respectively. The exercise price per share shall be the Fair Market Value of the Stock on the date the Stock Option is granted. The number of shares subject to the Stock Option shall be determined by dividing the amount of the waived directors' fees for the applicable six-month period by the Fair Market Value of the Stock on the date the Stock Option is granted. The Stock Option shall be granted for whole number of shares so determined; the value of any fractional share shall be paid in cash. A Non-Employee Director may revoke his election under this Section 5(c) (ii) at any time; provided, however, that such revocation shall only be effective six months and one day following the date of such revocation.

(iii) EXERCISE; TERMINATION; NON-TRANSFERABILITY.

(A) Except as provided in Section 10, no Option granted under Section 5(c) (i) may be exercised before the first anniversary of the date upon which it was granted; provided, however, that any Option so granted shall become exercisable upon the termination of service of the Non-Employee Director because of Disability or death. All Options granted under Section 5(c) (ii) shall be immediately exercisable. No Option issued under this Section 5(c) shall be exercisable after the expiration of ten years from the date upon which such Option is granted.

(B) The rights of a Non-Employee Director in an Option granted under Section 5(c) shall terminate six months after such Director ceases to be a Director of the Company or the specified expiration date, if earlier; provided, however, that if the Non-Employee Director ceases to be a Director for Cause, the rights shall terminate immediately on the date on which he ceases to be a Director.

(C) No Stock Option granted under this Section 5(c) shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and such Options shall be exercisable, during the optionee's lifetime only by the optionee. Any Option granted to a Non-Employee Director and outstanding on the date of his death may be exercised by the legal representative or legatee of the optionee for a period of six months from the date of death or until the expiration of the stated term of the option, if earlier.

(D) Options granted under this Section 5(c) may be exercised only by written notice to the Company specifying the number of shares to be purchased. Payment of the full purchase price of the shares to be purchased may be made by one or more of the methods specified in Section 5(a) (v). An optionee shall have the rights of a shareholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) LIMITED TO NON-EMPLOYEE DIRECTORS. The provisions of this Section 5(c) shall apply only to Options granted or to be granted to Non-Employee

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Directors, and shall not be deemed to modify, limit or otherwise apply to any other provision of this Plan or to any Option issued under this Plan to a participant who is not a Non-Employee Director of the Company. To the extent inconsistent with the provisions of any other Section of this Plan, the provisions of this Section 5(c) shall govern the rights and obligations of the Company and Non-Employee Directors respecting Options granted or to be granted to Non-Employee Directors. The provisions of this Section 5(c) which affect the price, date of exercisability, option period or amount of shares under an option shall not be amended more than once in any six-month period, other than to comport with changes in the Code or ERISA.



## SECTION 6. TAX WITHHOLDING

(a) PAYMENT BY PARTICIPANT. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(b) PAYMENT IN SHARES. A participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due. With respect to any participant who is subject to Section 16 of the Act, the following additional restrictions shall apply:

(A) the election to satisfy tax withholding obligations relating to an Award in the manner permitted by this Section 6(b) shall be made either (1) during the period beginning on the third business day following the date of release of quarterly or annual summary statements of revenues of the Company and ending on the twelfth business day following such date, or (2) at least six months prior to the date as of which the receipt of such an Award first becomes a taxable event for Federal income tax purposes;

(B) such election shall be irrevocable;

(C) such election shall be subject to the consent or disapproval of the Committee; and

(D) the Stock withheld to satisfy tax withholding, if granted at the discretion of the Committee, must pertain to an Award which has been held by the participant for at least six months from the date of grant of the Award.

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Notwithstanding the foregoing, the first sentence of Section 6(b)(A) shall not be applicable until the Company has been subject to the reporting requirements of the Act for at least a year prior to the election and has filed all reports and statements required to be filed pursuant to that Section for that year.

## SECTION 7. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing.

## SECTION 8. AMENDMENTS AND TERMINATION

The Board may at any time amend or discontinue the Plan and the Committee may at any time amend or cancel any outstanding Award (or provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price, but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under this Plan) for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. To the extent required by the Code to ensure that Options granted hereunder qualify as Incentive Stock Options and to the extent required by the Act to ensure that Awards and Options granted under the Plan are exempt under Rule 16b-3 promulgated under the Act, Plan amendments shall be subject to approval by the Company's stockholders.

## SECTION 9. STATUS OF PLAN

With respect to the portion of any Award which has not been exercised and any payments in cash, Stock or other consideration not received by a

participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

#### SECTION 10. CHANGE OF CONTROL PROVISIONS

Upon the occurrence of a Change of Control as defined in this Section 10:

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(a) Each Stock Option shall automatically become fully exercisable notwithstanding any provision to the contrary herein.

(b) "CHANGE OF CONTROL" shall mean the occurrence of any one of the following events:

(i) any "PERSON," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Subsidiaries, any trustee, fiduciary or other person or entity holding securities under any employee benefit plan of the Company or any of its Subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of either (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities") or (B) the then outstanding shares of Stock of the Company (in either such case other than as a result of acquisition of securities directly from the Company); or

(ii) persons who, as of the date of the closing of the Company's initial public offering, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the Closing of the Company's initial public offering whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of this Plan, be considered an Incumbent Director; or

(iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company or any Subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 30% of the voting stock of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Stock or other Voting Securities outstanding, increases (x) the proportionate number of shares of Stock beneficially owned by any person to 30% or more of the shares of Stock then outstanding or (y) the proportionate voting power represented by the Voting Securities beneficially owned by any person to 30% or more of the combined voting power of all then

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outstanding Voting Securities; PROVIDED, HOWEVER, that if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional shares of Stock or other Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "CHANGE OF CONTROL" shall be deemed to have occurred for purposes of the foregoing clause (i).

#### SECTION 11. GENERAL PROVISIONS

(a) NO DISTRIBUTION; COMPLIANCE WITH LEGAL REQUIREMENTS. The Committee may require each person acquiring shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all

applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) DELIVERY OF STOCK CERTIFICATES. Delivery of stock certificates to participants under this Plan shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have delivered such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) OTHER COMPENSATION ARRANGEMENTS; NO EMPLOYMENT RIGHTS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

#### SECTION 12. EFFECTIVE DATE OF PLAN

The Plan shall become effective upon approval by the holders of a majority of the shares of capital stock of the Company present or represented and entitled to vote at a meeting of stockholders. Subject to such approval by the stockholders, and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of the Plan by the Board.

#### SECTION 13. GOVERNING LAW

This Plan shall be governed by Maryland law except to the extent such law is preempted by federal law.

AVALON PROPERTIES, INC.

1995 ANNUAL INCENTIVE PLAN

1. PURPOSE. The purpose of the Avalon Properties, Inc. (the "Company") Annual Incentive Plan (the "Plan ") is to enhance the Company's ability to attract, motivate, reward, and retain key employees, to strengthen their commitment to the success of the Company and to align their interests with those of the Company's shareholders by providing additional compensation to designated key employees of the Company based on the achievement of performance objectives. To this end, the Plan provides a means of rewarding participants based on the performance of the Company.

2. DEFINITIONS.

"Award" means a Threshold Award, Target Award or Maximum Award, any of which may not be a Code Section 163(m) Award, paid pursuant to this Plan.

"Award Agreement" means the agreement entered into between the Company and a participant, setting forth the terms and conditions applicable to an award granted to the participant.

"Code" means the Internal Revenue Code of 1986, and any successor statute, and the regulations promulgated thereunder, as it or they may be amended from time to time.

"Code Section 162(m) Aware" means an Award intended to satisfy the requirements of Code Section 162(m) and designated as such in the Award Agreement.

"Covered Employee" means a Covered Employee within the meaning of Code Section 162(m)(3).

"FFO" means \_\_\_\_\_.

"Maximum Award" means the amount payable for achieving [150%] of the Performance Goals for the Performance Period.

"Performance Criteria" means one or more of the following criteria selected by, and as further defined by, the Committee each Year to measure achievement of Performance Goals for a Year:

1. A. [FFO Growth];  
B. [Stock Price]; and  
C. [FFO Multiple].

2. Any other criteria related to performance of the Company, individual performance or any other category of performance selected by the Committee.

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"Performance Goals" are the performance objectives applicable to each Performance Period with respect to Performance Criteria established by the Committee for the Company for the purpose of determining whether, and the extent to which, awards under the Plan will be made for that Performance Period.

"Performance Period" means each three-year period commencing on January 1 in any Year under the Plan and ending on December 31 in the third succeeding Year.

"Target Award" means the amount payable for achieving 100% of the Performance Goals for the Performance Period.

"Threshold Award" means the amount payable for achieving [50%] of the Performance Goals for the Performance Period.

"Year" means the Company's fiscal year.

3. ADMINISTRATION. The Plan shall be administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board").

The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to

receive, awards under the Plan, whether or not such persons are similarly situated. Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations and to establish non-uniform and selective Performance Criteria, Performance Goals, the weightings thereof, and Threshold, Target and Maximum Awards. Whenever the Plan refers to a determination being made by the Committee, it shall be deemed to mean a determination by the Committee in its sole discretion.

It is the intent of the Company that this Plan and Code Section 162(m) Awards hereunder satisfy and be interpreted in a manner that satisfy, in the case of participants who are or may be Covered Employees, the applicable requirements of Code Section 162(m), including the administration requirement of Code Section 162(m)(4)(C), so that the Company's tax deduction for remuneration in respect of such an award for services performed by such Covered Employees is not disallowed in whole or in part by the operation of such Code section. If any provision of this Plan would otherwise frustrate or conflict with the intent expressed in this Article, that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, [such provision shall be deemed void as applicable to Covered Employees with respect to whom such conflict exists.] Nothing herein shall be interpreted so as to preclude a participant who is or may be a Covered Employee from receiving an award that is not a Code Section 162(m) Award.

The Committee shall have the discretion, subject to the limitations described in Article 4 below relating to Code 162(m) Awards, to (a) determine the Plan participants; (b) determine who will be treated as a Covered Employee; (c) determine Performance Criteria and Performance Goals for each Performance Period within the time period required by Code Section 162(m); (d) establish an Award Schedule; (e) establish performance thresholds for payment of any awards; (f) determine whether and to what extent the Performance Goals have been met or exceeded; (g) make discretionary awards as may be appropriate in order to assure the proper motivation and retention of personnel and attainment of business goals; (h) to make adjustments to Performance Criteria, Performance Goals and thresholds; and (i) determine the aggregate number of shares of the

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Company's common stock, par value \$.01 per share ( "Common Stock") available for distribution as awards for each Performance Period. Subject to the provisions of the Plan, the Committee shall be authorized to interpret the Plan, the make, amend and rescind such rules as it deems necessary for the proper administration of the Plan, to make all other determination necessary or advisable for the administration of the Plan and to correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems desirable to carry the Plan into effect. Any action taken or determination made by the Committee shall be conclusive on all parties.

4. CODE SECTION 162(m) AWARDS. A participant who is or may be a Covered Employee may receive a Code Section 162(m) Award and/or an award that is not a Code Section 162(m) Award. The Committee will determine who is to be treated as a Covered Employee, determine who is eligible to be granted Code Section 162(m) Awards and establish the Target Awards and Award Schedules for Code Section 162(m) Awards. Such determinations will be made in a timely manner, as required by Code Section 162(m). Each award shall be evidenced by an Award Agreement setting forth the Award Schedule and such other terms and conditions applicable to the award, as determined by the Committee, not inconsistent with the terms of the Plan. Notwithstanding anything else in this Plan to the contrary, the aggregate maximum amount payable under the Plan to a Covered Employee with respect to a Performance Period shall be [\_\_\_\_\_]. In the event of any conflict between an Award Agreement and the Plan, the terms of the Plan shall govern.

5. ALL AWARDS. Performance Criteria and Performance Goals will be established by the Committee for each Performance Period, which, in the case of Performance Criteria and Performance Goals for Covered Persons, will be established within the time period required by Code Section 162(m). The Committee also shall determine the extent to which each Performance Criteria shall be weighted in determining awards. The Committee will establish an Award Schedule for each award to each participant setting forth the Threshold, Target and Maximum Awards for such participant payable at specified levels of performance, based on the Performance Goal for each of the Performance Criteria and the weighting established for such criteria. The Committee may vary the Performance Criteria, performance Goals and weightings from participant to participant, award to award and from Performance Period to Performance Period. Notwithstanding the foregoing, the Performance Criteria with respect to a Code Section 162(m) Award shall be limited to the Performance Criteria set forth in Article 2.g.1.

6. ELIGIBLE PERSONS. Any key employee of the Company who the Committee determines, in its discretion, is responsible for producing profits for the Company or otherwise has a significant effect on the operations of the Company

shall be eligible to participate in the Plan. Committee members are not eligible to participate in the Plan. No employee shall have a right (a) to be selected under the Plan, or (b) having once been selected, to (i) be selected again or (ii) continue as an employee.

7. AMOUNT AVAILABLE FOR AWARDS. The amount available for awards (the "Bonus Pool") for each Performance Period shall be determined by the Committee. The Bonus Pool created in respect of any fiscal year shall be allocated among Plan participants in the manner established by the Committee prior to the beginning of such fiscal year; provided, however, that the Committee in its sole discretion may reduce at any time, including during or following the fiscal year, the amount of the bonus payable to any or all participants in respect of such fiscal year.

8. DETERMINATION OF AWARDS. The Committee shall select the participants and determine which participants, if any, are to be treated as Covered Employees and which awards, if

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any, are to be Code Section 162(m) Awards. Except in the case of Code Section 162(m) Awards, the Committee shall determine the actual award to each participant for each Performance Period, taking into consideration, as it deems appropriate, the performance for such Performance Period of the Company in relation to the Performance Goals theretofore established by the Committee, and the performance of the respective participants during such Performance Period. The fact that an employee is selected as a participant for any Performance Period shall not mean that such employee necessarily will receive an award for that Performance Period. Except in the case of Code Section 162(m) Awards, notwithstanding any other provisions of the Plan to the contrary, the Committee may make discretionary awards as it sees fit under the Plan.

A Code Section 162(m) Award payable to any Covered Employee may range from zero (0) to [one hundred and fifty (150)] percent of the Covered Employee's Target Award, depending upon whether, or the extent to which, the Performance Goals with respect to such Code Section 162(m) Award have been achieved. Actual Code Section 162(m) Awards will be derived from the Award Schedule based on the level of performance achieved. All such determinations regarding the achievement of Performance Goals and the determination of actual Code Section 162(m) Awards will be made by the Committee; [provided, however, that with respect to a Code Section 162(m) Award, the Committee may, in its sole discretion, decrease, but not increase, the amount of the Award that otherwise would be payable].

9. DISTRIBUTION OF AWARDS. Awards under the Plan for a particular Performance Period shall be paid in shares of Common Stock as soon as practicable after the end of that Performance Period. To the extent that the Company's tax deduction for remuneration in respect of the payment of an Award to a Covered Employee would be disallowed under Code Section 162(m) by reason of the fact that such Covered Employee's applicable employee remuneration, as defined in Code Section 162(m) (4), either exceeds or, if such Award were paid, would exceed the \$1,000,000 limitation in Code Section 162(m) (1), the Committee may, in its sole discretion, defer the payment of such Award, but only to the extent that, and for so long as, the Company's tax deduction in respect of the payment thereof would be so disallowed; provided that the Committee may, nevertheless, accelerate the payment of previously deferred Awards if it determines that the amount of the tax deduction that would be disallowed is not significant. Deferred Awards will be deemed credited with interest at a rate determined by the Committee from time to time.

10. TERMINATION OF EMPLOYMENT. A participant must be actively employed by the Company on the date his or her award is determined by the Committee (the "Payment Date") in order to be entitled to payment of any award for that Performance Period. [In the event active employment of a participant shall be terminated before the Payment Date for any reason other than discharge for cause or voluntary resignation, such participant may receive such portion of his or her award for the Year as may be determined by the Committee.] A participant discharged for cause shall not be entitled to receive any award for the Performance Period. A participant who voluntarily resigns prior to the Payment Date shall not be entitled to receive any award for the Performance Period unless otherwise determined by the Committee.

11. MISCELLANEOUS.

a. NONASSIGNABILITY. No award will be assignable or transferable without the written consent of the Committee in its sole discretion, except by will or by the laws of descent and distribution.

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b. WITHHOLDING TAXES. Whenever payments under the Plan are to be made, the Company will withhold therefrom an amount sufficient to satisfy any applicable governmental withholding tax requirements related thereto.

c. AMENDMENT OR TERMINATION OF THE PLAN. The Board of Directors of the Company may at any time amend, suspend or discontinue the Plan, in whole or in part. The Committee may at any time alter or amend any or all Award Agreements under the Plan to the extent permitted by law. No such action may, however, without approval of the stockholders of the Company, be effective with respect to any Code Section 162(m) Award to any Covered Employee if such approval is required by Code Section 162(m) (4) (C).

d. OTHER PAYMENTS OR AWARDS. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

e. PAYMENTS TO OTHER PERSONS. If payments are legally required to be made to any person other than the person to whom any amount is available under the Plan, payments will be made accordingly. Any such payment will be a complete discharge of the liability of the Company.

f. LIMITS OF LIABILITY.

1. Any liability of the Company to any participant with respect to an award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.

2. Neither the Company, nor any member of its Board of Directors or the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken or not taken in good faith under the Plan.

g. RIGHTS OF EMPLOYEES.

1. Status as an employee eligible to receive an award under the Plan shall not be construed as a commitment that any award will be made under this Plan to such employee or to other such employees generally.

2. Nothing contained in this Plan or in any Award Agreement (or in any other documents related to this Plan or to any Award Agreement) shall confer upon any employee or participant any right to continue in the employ or other service of the Company or constitute any contract or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment or other service of such person with or without cause.

h. SECTION HEADINGS. The section headings contained herein are for the purposes of convenience only, and in the event of any conflict, the text of the Plan, rather than the section headings, will control.

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i. INVALIDITY. If any term or provision contained herein will to any extent be invalid or unenforceable, such term or provision will be reformed so that it is valid, and such invalidity or unenforceability will not affect any other provision or part thereof.

j. APPLICABLE LAW. The Plan, the Award Agreements and all actions taken hereunder or thereunder shall be governed by, and construed in accordance with, the laws of the State of California without regard to the conflict of law principles thereof.

k. EFFECTIVE DATE. The Plan shall be effective as of \_\_\_\_\_, 1995.

l. SHAREHOLDER APPROVAL. The adoption of this Plan is subject to the approval of the shareholders of the Company.

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## PROMISSORY NOTE AND PLEDGE AND SECURITY AGREEMENT

\$450,000

June 15, 2000

FOR VALUE RECEIVED, Samuel B. Fuller, who resides at 1 Searles Road, Darien, CT 06820 (the "Borrower"), promises to pay to the order of AvalonBay Communities, Inc., a Maryland corporation, and its successors and assigns at its address of 2900 Eisenhower Avenue, 3rd Floor, Alexandria, Virginia, 22314 (the "Lender" or "Company") or such other place as Lender may designate, the amount of \$450,000 on the Maturity Date (as such term is hereinafter defined) and to pay interest on the unpaid principal amount outstanding hereunder from time to time on the dates and at the rate or rates hereinafter provided.

## (c) USE OF PROCEEDS.

The principal amount advanced on the date hereof will be used for personal purposes, PROVIDED, HOWEVER, that \$79,334 shall be used to repay the principal and accrued interest outstanding under the promissory notes given by the Borrower to the Lender as set forth on EXHIBIT A hereto. Therefore, (i) the Lender shall advance on the date hereof the net amount due the Borrower (i.e., \$370,666), (ii) the Lender shall promptly thereafter return to the Borrower the promissory notes set forth on Exhibit A marked "cancelled" or "paid in full", and (iii) the principal amount outstanding as of the date hereof shall be \$450,000.

## (d) INTEREST.

The principal amount outstanding hereunder from time to time (which principal amount shall include monthly compounded interest), to the extent not paid (pursuant to Section 4(b)(i) hereof or otherwise), shall compound and accrue monthly on the basis of a three hundred and sixty-five (365) day year and the number of days actually elapsed at a fixed rate (the "Interest Rate") per annum equal to the rate of interest announced by the Internal Revenue Service as its "Long Term Applicable Federal Rate" of even date herewith. In the event that all principal and interest due hereunder are not paid before the fifth (5th) anniversary of this Note, then the Note shall become immediately due and payable at the option of and upon demand by Lender either upon the fifth (5th) anniversary of this Note or any date thereafter (the "Maturity Date"). Upon the fifth (5th) anniversary of this Note and until the Maturity Date, interest shall continue to accrue at either the Interest Rate or, if the prevailing Short Term Applicable Federal Rate is greater or less than the Interest Rate by an increment of 4.0%, at the prevailing Short Term Applicable Federal Rate. All payments shall be applied first to interest and the balance to principal.

## (e) PLEDGE.

- (a) PLEDGE OF STOCK. To secure payment and performance of all Borrower's obligations hereunder, Borrower hereby pledges as collateral to Lender all shares of common stock of the Company (whether currently vested or still unvested) that were previously granted to the Borrower under the Company's 1994 Stock Incentive Plan, as amended (the "Pledged Stock") and agrees that the Company shall have all of the rights of a secured creditor under the Uniform Commercial

Code with respect to the same. For clarity, EXHIBIT B sets forth information regarding the Pledged Stock. Until such time as the principal amount outstanding hereunder is paid in full, Lender shall keep in its possession the Pledged Stock, and shall cause a restrictive legend which precludes active trading of the Pledged Stock without the Company's permission to be placed on same. If the market value of the Company's common stock (AVB; NYSE) declines such that the ratio of the value of the Loan divided by the value of the market value of the Pledged Stock (the "LTV Ratio") exceeds 50%, the Company reserves the right to demand that the Borrower make a cash payment sufficient to bring the LTV Ratio below 50%, or the Company may sell or otherwise dispose of the amount of Pledged Stock needed to bring the LTV Ratio below the level of 50%.

- (b) PLEDGE OF STOCK OPTIONS. To secure payment and performance of all Borrower's obligations hereunder, Borrower hereby pledges as collateral to Lender all of Borrower's rights in, to and under the employee stock options that were previously granted



to the Borrower under the Company's 1994 Stock Incentive Plan, as amended (the "Pledged Options"), whether currently vested or unvested, and agrees that the Company shall have all of the rights of a secured creditor under the Uniform Commercial Code with respect to the same, including the right to all proceeds thereof. For clarity, EXHIBIT C sets forth information regarding the Pledged Options. Borrower agrees that he shall have no right to exercise the Pledged Options or take any other action with respect to the same until the principal amount and accrued interest outstanding hereunder is paid in full.

(f) PREPAYMENT.

(a) OPTIONAL PREPAYMENT. The Borrower may prepay this Note in whole or in part without penalty or premium.

(b) MANDATORY PREPAYMENT.

(i) Until such time as the principal amount and accrued interest outstanding hereunder is paid in full, Borrower shall pay or cause to be paid to the Lender all dividends related to the Pledged Stock when such dividends are issued by the Company to its common stockholders.

(ii) The Borrower shall be required to prepay the Loan in its entirety within sixty (60) days following any termination of the Borrower's employment by or with the Company for any reason, including but not limited to death or disability (the "Prepayment Date"). On the Prepayment Date, for any reason, including death or disability, Borrower shall immediately make such prepayment together with interest accrued through the date on which all amounts due hereunder are paid.

(g) DEFAULT.

If any payment to be made by Borrower under this Note is not made when due (a "Default"), Lender, at its option, may (i) sell or otherwise dispose of an amount of Pledged Stock and apply the proceeds to the outstanding payment due to Lender and/or (ii) exercise all or a portion of the Pledged Options and sell the underlying stock or cancel all or a portion of the Pledged Options, in

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June 15, 2000  
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either case as described in Section 14 hereof. Borrower agrees to pay all charges (including reasonable attorneys' fees) of the Lender in connection with the collection and/or enforcement of this Note.

(h) NOTICES.

Any notice required or permitted to be delivered hereunder shall be in writing and shall be deemed to be delivered on the earlier of (i) the date received, or (ii) the date of delivery, refusal, or non-delivery indicated on the return receipt, if deposited in a United States Postal Service depository, postage prepaid, sent registered or certified mail, return receipt requested, addressed to the party to receive the same at the address of such party set forth at the beginning of this Note, or at such other address as may be designated in a notice delivered or mailed as herein provided.

(i) WAIVER.

(a) The failure of the Lender at any time to exercise any option or right hereunder shall not constitute a waiver of the Lender's right to exercise such option or right at any other time.

(b) Borrower and all endorsers and guarantors of the Note hereby jointly and severally waive presentment, demand, notice, protest and all other suretyship defenses generally and agree that (i) any renewal, extension or postponement of the time of payment or any other indulgence, (ii) any modification, supplement or alteration of any of the Borrower's obligations undertaken in connection with this Note, or (iii) any substitution, exchange or release of collateral or the addition or release of any person or entity primarily or secondarily liable, may be effected without notice to Borrower or any endorser or guarantor or Borrower's obligations, and

without releasing Borrower or such endorser or guarantor from any liability hereunder.

(j) MODIFICATION.

This Note may not be modified, altered, or amended in any manner or form except by an agreement in writing, executed by a duly authorized officer of Lender and the Borrower, which writing shall make specific reference hereto.

(k) TRANSFER BY BORROWER.

Borrower will not sell, assign, transfer or otherwise dispose of, directly or indirectly, nor grant any option with respect to, or pledge or grant any security interest in or otherwise encumber any of the Pledged Stock or the Pledged Options, any interest therein, except for the pledge provided for in this Note.

(l) FURTHER ASSURANCES.

Borrower will from time to time execute and deliver to the Company all such other and further instruments and documents and take or cause to be taken all such other and further actions as the Company may reasonably request in order to effect and confirm more securely in the Company all rights contemplated in this Note and to maintain at all times the perfection and first priority of the

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security interest herein granted in the Pledged Stock, including without limitation, any UCC financing statements, reports, statements or other documents required by any applicable law, rule or regulation. A carbon photocopy or other reproduction of this note may be filed as a financing statement.

(m) COSTS.

Borrower agrees to promptly reimburse the Company for actual reasonable out-of-pocket expenses, including, without limitation, reasonable counsel fees and disbursements, incurred by the Company in connection with the administration and enforcement of this Note.

(n) FULL RECOURSE.

The Company's recourse against the Borrower under this Note for satisfaction of the Loan and all other amounts due hereunder shall be full recourse to the Borrower and all of Borrower's assets, and Lender shall have no obligation to take any action against the collateral granted hereunder prior to proceeding directly against Borrower.

13. USURY, ETC.

All agreements between the Borrower and the holder of this Note are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or maturity of the indebtedness or otherwise, shall the amount paid or agreed to be paid to the holder for the use, forbearance or detention of the indebtedness evidenced hereby exceed the maximum amount which the holder is permitted to receive under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Note, at the time performance of such provision shall be due, shall involve exceeding such amount, then the obligation to be fulfilled shall automatically be reduced to the limit of such maximum amount, and if from any circumstances the holder should ever receive as interest an amount which would exceed such maximum amount, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event that there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. This provision shall control every other provision of this Note.

14. VALUATION; MANNER OF DISPOSITION; CANCELLATION OF STOCK OPTIONS; SECURITIES LAWS.

(a) The Borrower acknowledges and agrees that the Company may not be able to or may not desire to effect a public sale of the Pledged Stock and, accordingly, agrees that in the event of any sale, collection, realization or other disposition of or upon the Pledged Stock by the Company, in lieu of such public sale, the Company may transfer all or any portion of the

Pledged Stock to itself and apply the value of such shares (at a price per share equal to the closing sale reported on the New York Stock Exchange (the "NYSE") on the date of such action by the Company or, if the date of such action is not a day on which the NYSE is open or the Company's stock is not

\$450,000 Promissory Note to S. Fuller  
June 15, 2000  
Page 4

traded on the NYSE on such date, the preceding business day or trading date) to the amounts due under or in connection with this Note.

- (b) The Borrower acknowledges and agrees that, in the event of a Default hereunder, the Company may cause the Pledged Options to be exercised and the underlying common stock to be sold. The Borrower acknowledges and agrees that, in lieu of such exercise or sale, the Company may cancel all or a portion of the Pledged Options and credit the Borrower with repayment of an amount of principal and accrued interest equal to the difference between (i) the product of (x) the number of options cancelled and (y) the then value of the shares of common stock underlying such options (such shares to be valued at a price per share equal to the closing sale reported on the NYSE on the date of cancellation of the options) less (ii) the aggregate exercise price of the options so cancelled.
- (c) The Borrower recognizes that a sale or other disposition of the Pledged Stock or the Pledged Options can have adverse consequences to the Borrower under Section 16 of the Securities Exchange Act of 1934 or other securities laws. The Lender shall in no event be liable for any such adverse consequence and shall have no obligation to consider such consequences when proceeding against the collateral after a Default.

15. CHOICE OF LAW.

This Note shall be governed by, construed, and enforced in accordance with the laws of the State of Connecticut.

16. POWER OF ATTORNEY.

The Borrower hereby grants the Company a power of attorney to take any and all actions in connection with (i) any disposition or forfeiture of the Pledged Stock upon a Default, or (ii) any exercise of the Pledged Options upon a Default and disposition of the shares of common stock received thereby or (iii) any forfeiture of the Pledged Options upon a Default.

This Note shall have the effect of an instrument under seal.

Borrower:     \s\ SAMUEL B. FULLER  
                  -----  
                                  Samuel B. Fuller

Witness:       \s\ JOANNE LOCKRIDGE  
                  -----

\$450,000 Promissory Note to S. Fuller  
June 15, 2000  
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## EXHIBIT 12.1

AVALONBAY COMMUNITIES, INC.  
RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Year Ended December 31, 1995	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996
-----					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Net Income \$ 30,937	\$ 210,604	\$ 172,276	\$ 123,535	\$ 64,916	\$ 51,651
(Less) Nonrecurring item:					
Gain on sale	\$ (40,779)	\$ (47,093)	\$ (25,270)	\$ (677)	\$ (7,850)
\$ -					
Non-recurring charges	-	16,782	-	-	-
-					
(Plus) Extraordinary item:					
Unamortized loan fee write-off	\$ -	\$ -	\$ 245	\$ 1,183	\$ 2,356
\$ 1,158					
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	\$ 461	\$ 526	\$ 293	\$ 172	\$ 150
\$ 117					
Interest expense	83,609	74,699	54,650	16,977	9,545
11,056					
Interest capitalized	18,328	21,888	14,724	9,024	12,883
6,004					
Debt cost amortization	2,924	2,624	2,068	700	1,842
1,869					
Preferred dividend	39,779	39,779	28,132	19,656	10,422
-					
-----					
Total fixed charges (1)	\$ 145,101	\$ 139,516	\$ 99,867	\$ 46,529	\$ 34,842
\$ 19,046					
(Less):					
Interest capitalized	\$ 18,328	\$ 21,888	\$ 14,724	\$ 9,024	\$ 12,883
\$ 6,004					
Preferred dividend	39,779	39,779	28,132	19,656	10,422
-					
Adjusted earnings (2)	\$ 256,819	\$ 219,814	\$ 155,521	\$ 83,271	\$ 57,694
\$ 45,137					
-----					
Ratio (2 divided by 1)	1.77	1.58	1.56	1.79	1.66
2.37					
=====					

&lt;CAPTION&gt;

EXHIBIT 12.1 (CONTINUED)

AVALONBAY COMMUNITIES, INC.  
RATIOS OF EARNINGS TO FIXED CHARGES

Year Ended December 31, 1995	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996
-----					

<S>	<C>	<C>	<C>	<C>	<C>
Net Income	\$ 210,604	\$ 172,276	\$ 123,535	\$ 64,916	\$ 51,651
\$ 30,937					
(Less) Nonrecurring item:					
Gain on sale	\$ (40,779)	\$ (47,093)	\$ (25,270)	\$ (677)	\$ (7,850)
\$ -					
Non-recurring charges	-	16,782	-	-	-
-					
(Plus) Extraordinary item:					
Unamortized loan fee write-off	\$ -	\$ -	\$ 245	\$ 1,183	\$ 2,356
\$ 1,158					
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	\$ 461	\$ 526	\$ 293	\$ 172	\$ 150
\$ 117					
Interest expense	83,609	74,699	54,650	16,977	9,545
11,056					
Interest capitalized	18,328	21,888	14,724	9,024	12,883
6,004					
Debt cost amortization	2,924	2,624	2,068	700	1,842
1,869					
-----					
Total fixed charges (1)	\$ 105,322	\$ 99,737	\$ 71,735	\$ 26,873	\$ 24,420
\$ 19,046					
(Less):					
Interest capitalized	\$ 18,328	\$ 21,888	\$ 14,724	\$ 9,024	\$ 12,883
\$ 6,004					
Adjusted earnings (2)	\$ 256,819	\$ 219,814	\$ 155,521	\$ 83,271	\$ 57,694
\$ 45,137					
-----					
Ratio (2 divided by 1)	2.44	2.20	2.17	3.10	2.36
2.37					
=====					

</TABLE>

## EXHIBIT 21.1

## SUBSIDIARY LIST WITH INCORPORATION/ORGANIZATION DATE (BY JURISDICTION)

<TABLE>	
<S>	<C>
CALIFORNIA	
230 Bay Place, L.P.	
07/18/2000	
San Francisco Bay Partners II, Ltd.	07/02/1984
CONNECTICUT	
Avalon Transactions, Inc.	
12/27/1994	
Town Close Associates Limited Partnership	04/10/1992
Town Grove, LLC	
12/27/1994	
DELAWARE	
Avalon Ballston II, L.P.	
01/03/1997	
Avalon DownREIT V, Inc.	
07/06/1998	
Avalon DownREIT V, L.P.	
11/07/1997	
Avalon Park Tower, LLC	
11/21/2000	
Avalon Riverview III, LLC	
03/22/2000	
Avalon Terrace LLC	
05/02/2000	
AvalonBay Redevelopment LLC	
06/15/1999	
Bay Countrybrook L.P.	
06/12/1996	
Bay Pacific Northwest, L.P.	
08/29/1997	
MARYLAND	
Avalon 4100 Massachusetts Avenue, Inc.	06/13/1994
Avalon Ballston II, Inc.	
11/01/1996	
Avalon Chase Glen, Inc.	
10/27/1993	
Avalon Chase Grove, Inc.	
03/18/1994	
Avalon Chase Hampton, II, Inc.	
10/27/1993	
Avalon Chase Heritage, Inc.	
10/27/1993	
Avalon Discoverly, Inc.	
03/08/1995	
Avalon Lake Arbor, Inc.	
07/14/1995	
Avalon Oaks West, Inc.	
02/05/2001	
Avalon Oaks, Inc.	
09/04/1997	
Avalon Town Green II, Inc.	
08/24/1993	
Avalon Town Meadows, Inc.	
05/27/1994	
Avalon Town View, Inc.	
10/27/1993	
Avalon Upper Falls Limited Dividend Corporation	01/05/2001
AvalonBay Fairlane, Inc.	
07/22/1998	
AvalonBay Ledges, Inc.	
07/22/1998	
AvalonBay Parking, Inc.	
01/19/2001	
AvalonBay Redevelopment, Inc.	

02/12/1999  
Falkland Partners, LLC  
07/01/1985  
Lexington Ridge-Avalon, Inc.  
10/27/1993

MASSACHUSETTS

AvalonBay BFG Limited Partnership

05/21/1998

MINNESOTA

AvalonBay Devonshire L.L.C.  
05/20/1998  
AvalonBay Edinburgh L.L.C.  
05/20/1998  
</TABLE>

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<TABLE>

<S>

<C>

NEW JERSEY

Town Cove II Jersey City Urban Renewal, Inc.  
Town Cove Jersey City Urban Renewal, Inc.  
Town Run Associates  
11/03/1994

04/16/1996  
02/02/1994

VIRGINIA

Arna Valley View Limited Partnership  
Avalon Decoverly Associates Limited Partnership

02/24/1999  
10/16/1990

</TABLE>

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Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 No. 333-16837, on Form S-8 No. 333-56089, on Form S-3 No. 333-87063, on Form S-3 No. 333-15407, on Form S-3 No. 333-62855, on Form S-3 No. 333-60875 and on Form S-3 No. 333-87219.

/s/ Arthur Andersen LLP

Vienna, Virginia  
March 27, 2001