

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 29, 2018

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

Commission file number 1-12672

Maryland  
*(State or other jurisdiction of  
incorporation or organization)*

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

Ballston Tower  
671 N. Glebe Rd, Suite 800  
Arlington, Virginia 22203  
*(Address of principal executive offices)(Zip code)*

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

*(Former name, if changed since last report)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Item 2.02. Results of Operations and Financial Condition.

On October 29, 2018, AvalonBay Communities, Inc. issued a press release announcing its third quarter 2018 operating results. That release referred to certain attachments with supplemental information that were available on the Company's website. The full text of the press release, including the supplemental information and attachments referred to within the release, are furnished as Exhibit 99.1 and Exhibit 99.2 hereto.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press Release of AvalonBay Communities, Inc. dated October 29, 2018, including attachments.

99.2 Supplemental discussion of third quarter 2018 operating results dated October 29, 2018, including attachments.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be filed on its behalf by the undersigned hereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

Dated: October 29, 2018

By: /s/ Kevin P. O'Shea  
Kevin P. O'Shea  
Chief Financial Officer

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## Exhibit Index

- 99.1 [Press Release of AvalonBay Communities, Inc. dated October 29, 2018, including attachments.](#)
- 99.2 [Supplemental discussion of third quarter 2018 operating results dated October 29, 2018, including attachments.](#)



# PRESS RELEASE

October 29, 2018

For Immediate News Release

## AVALONBAY COMMUNITIES, INC. ANNOUNCES THIRD QUARTER 2018 OPERATING RESULTS

(Arlington, VA) AvalonBay Communities, Inc. (NYSE: AVB) (the "Company") reported today that Net Income Attributable to Common Stockholders for the three months ended September 30, 2018 was \$192,486,000. This resulted in a decrease in Earnings per Share – diluted ("EPS") of 19.2% to \$1.39 for the three months ended September 30, 2018, from \$1.72 for the prior year period.

Funds from Operations attributable to common stockholders - diluted ("FFO") per share for the three months ended September 30, 2018 decreased 3.4% to \$2.26 from \$2.34 for the prior year period. Core FFO per share (as defined in this release) for the three months ended September 30, 2018 increased 4.1% to \$2.28 from \$2.19 for the prior year period.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the three months ended September 30, 2018 to its results for the prior year period:

### Q3 2018 Results Compared to Q3 2017

	Per Share		
	EPS	FFO	Core FFO
Q3 2017 per share reported results	\$ 1.72	\$ 2.34	\$ 2.19
Established and Redevelopment Community NOI (1)	0.08	0.08	0.07
Development and Other Stabilized Community NOI (1)	0.16	0.16	0.16
Capital markets activity	(0.11)	(0.11)	(0.10)
Joint venture income (2)	(0.14)	(0.14)	—
Overhead expense and other	(0.04)	(0.04)	(0.04)
Business interruption insurance proceeds (3)	(0.03)	(0.03)	—
Gain on sale of real estate and depreciation expense	(0.25)	—	—
Q3 2018 per share reported results	\$ 1.39	\$ 2.26	\$ 2.28

(1) Core FFO per share includes lost NOI from casualty losses covered by business interruption insurance. See Definitions and Reconciliations, table 3.

(2) EPS and FFO per share include the Company's promoted interest in joint ventures. See Definitions and Reconciliations, table 3.

(3) EPS and FFO per share include business interruption insurance proceeds in Q3 2017. See Definitions and Reconciliations, table 3.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the third quarter of 2018 to its July 2018 outlook:

### Third Quarter 2018 Results Comparison to July 2018 Outlook

	Per Share		
	EPS	FFO	Core FFO
Projected per share - July 2018 outlook (1)	\$ 1.66	\$ 2.23	\$ 2.25
Established and Redevelopment Community NOI	0.01	0.01	0.01
Interest and other	0.02	0.02	0.02
Gain on sale of real estate and depreciation expense	(0.30)	—	—
Q3 2018 per share reported results	\$ 1.39	\$ 2.26	\$ 2.28

(1) The mid-point of the Company's July 2018 outlook.

For the nine months ended September 30, 2018, EPS decreased 8.0% to \$4.26 from \$4.63 for the prior year period, FFO per share increased 5.9% to \$6.65 from \$6.28 for the prior year period, and Core FFO per share increased 5.0% to \$6.69 from \$6.37 for the prior year period.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the nine months ended September 30, 2018 to its results for the prior year period:

**YTD 2018 Results**  
**Comparison to YTD 2017**

	Per Share		
	EPS	FFO	Core FFO
YTD 2017 per share reported results	\$ 4.63	\$ 6.28	\$ 6.37
Established and Redevelopment Community NOI (1)	0.15	0.15	0.11
Other Stabilized and Development Community NOI (1)	0.57	0.57	0.57
Capital markets activity	(0.12)	(0.12)	(0.27)
Joint venture income and management fees (2)	(0.20)	(0.20)	(0.01)
Overhead expense and other	(0.09)	(0.09)	(0.08)
Business interruption insurance proceeds and casualty and impairment gain, net (3)	0.06	0.06	—
Gain on sale of real estate and depreciation expense	(0.74)	—	—
YTD 2018 per share reported results	\$ 4.26	\$ 6.65	\$ 6.69

(1) Core FFO per share includes lost NOI from casualty losses covered by business interruption insurance. See Definitions and Reconciliations, table 3.

(2) EPS and FFO per share include the Company's promoted interest in joint ventures. See Definitions and Reconciliations, table 3.

(3) EPS and FFO per share include business interruption insurance proceeds in 2017. See Definitions and Reconciliations, table 3.

**Operating Results for the Three Months Ended September 30, 2018 Compared to the Prior Year Period**

For the Company, total revenue increased by \$25,482,000, or 4.6%, to \$575,982,000. This increase is primarily due to growth in revenue from stabilized operating communities and development communities.

For Established Communities, total revenue increased \$9,693,000, or 2.3%, to \$427,023,000. Operating expenses for Established Communities increased \$572,000, or 0.5%, to \$123,947,000. NOI for Established Communities increased \$9,121,000, or 3.1%, to \$303,076,000. Rental revenue for Established Communities increased 2.3% as a result of an increase in Average Rental Rates of 2.5%, partially offset by a decrease in Economic Occupancy of 0.2%. If the Company were to include current and previously completed redevelopment communities as part of its Established Communities portfolio, the increase in Established Communities' rental revenue would have remained consistent at 2.3%.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the three months ended September 30, 2018 compared to the three months ended September 30, 2017:

**Q3 2018 Compared to Q3 2017**

	Rental Revenue (1)	Opex (2)	NOI	% of NOI (3)
	New England	3.1%	2.2 %	3.5 %
Metro NY/NJ	1.1%	(4.7)%	3.8 %	24.1%
Mid-Atlantic	2.0%	(1.2)%	3.5 %	16.5%
Pacific NW	2.1%	8.5 %	(0.1)%	5.6%
No. California	2.8%	3.6 %	2.5 %	20.0%
So. California	3.1%	2.8 %	3.3 %	20.0%
Total	2.3%	0.5 %	3.1 %	100.0%

(1) See full release for additional detail.

(2) See full release for discussion of variances.

(3) Represents each region's % of total NOI for Q3 2018, including amounts related to communities that have been sold or that are classified as held for sale.

**Operating Results for the Nine Months Ended September 30, 2018 Compared to the Prior Year Period**

For the Company, total revenue increased by \$102,678,000, or 6.4%, to \$1,706,015,000. This increase is primarily due to growth in revenue from stabilized operating communities and development communities.

For Established Communities, total revenue increased \$29,858,000, or 2.4%, to \$1,266,066,000. Operating expenses for Established Communities increased \$8,826,000, or 2.5% to \$368,112,000. NOI for Established Communities increased \$21,032,000, or 2.4%, to \$897,954,000. Rental revenue for Established Communities increased 2.4% as a result of an increase in Average Rental Rates of 2.4% with Economic Occupancy remaining consistent at 96.2%. If the Company were to include current and previously completed redevelopment communities as part of its Established Communities portfolio, the increase in Established Communities' rental revenue would have remained consistent at 2.4%.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017:

**YTD 2018 Compared to YTD 2017**

	Rental Revenue (1)	Opex (2)	NOI	% of NOI (3)
New England	2.8%	2.0 %	3.2%	13.8%
Metro NY/NJ	1.4%	0.2 %	2.0%	23.6%
Mid-Atlantic	1.5%	(0.3)%	2.4%	16.6%
Pacific NW	2.7%	9.6 %	0.3%	5.5%
No. California	2.6%	3.5 %	2.3%	20.0%
So. California	3.8%	5.5 %	3.1%	20.5%
<b>Total</b>	<b>2.4%</b>	<b>2.5 %</b>	<b>2.4%</b>	<b>100.0%</b>

(1) See full release for additional detail.

(2) See full release for discussion of variances.

(3) Represents each region's % of total NOI for YTD 2018, including amounts related to communities that have been sold or that are classified as held for sale.

**Development Activity**

During the three months ended September 30, 2018, the Company completed the development of two communities:

- Avalon Dogpatch, located in San Francisco, CA; and
- AVA North Point, located in Cambridge, MA.

These communities contain an aggregate of 591 apartment homes and were constructed for an aggregate Total Capital Cost of \$314,000,000, or \$265,000,000 at share, when including only the Company's interest in AVA North Point, which was developed through a joint venture.

The Company started the construction of two communities:

- Avalon Harbor East, located in Baltimore, MD; and
- Avalon Old Bridge, located in Old Bridge, NJ.

These communities are expected to contain an aggregate of 652 apartment homes and 7,000 square feet of retail space when completed and will be developed for an aggregate estimated Total Capital Cost of \$205,000,000.

During the nine months ended September 30, 2018, the Company completed the development of seven communities containing an aggregate of 1,915 apartment homes, for an aggregate Total Capital Cost of \$742,000,000, or \$693,000,000 at share, when including only the Company's interest in AVA North Point.

At September 30, 2018, the Company had 19 communities under construction that in the aggregate are expected to contain 6,107 apartment homes and 127,000 square feet of retail space. Estimated Total Capital Cost at completion is \$2,738,000,000.

The Company is exploring a potential for-sale strategy of individual condominium units for the residential portion of one of its development communities, 15 West 61st Street. As a result, the Company may commence the sales process for the residential units in the first half of 2019, subject to future market conditions. The Company intends to own and operate the retail portion of the development, which is expected to complete construction during 2019.

The projected Total Capital Cost of development rights at September 30, 2018 increased to \$3.6 billion from \$3.5 billion at June 30, 2018.

**Acquisition Activity**

In September 2018, the Company acquired Avalon Arundel Crossing, located in Linthicum Heights, MD, containing 310 apartment homes for a purchase price of \$83,000,000.

In October 2018, the Company acquired the Alexander Apartments and Lofts, located in West Palm Beach, FL, containing 290 apartment homes for a purchase price of \$103,000,000.

**Disposition Activity**

*Consolidated Apartment Communities*

During the three months ended September 30, 2018, the Company sold Avalon Ballston Place, a wholly-owned operating community located in Arlington, VA. Avalon Ballston Place contains 383 apartment homes and 5,000 square feet of retail space and was sold for \$169,000,000.

During the nine months ended September 30, 2018, the Company sold five wholly-owned operating communities containing an aggregate of 1,330 apartment homes and 17,000 square feet of retail space; these assets were sold for \$476,100,000 and a weighted average Initial Year Market Cap Rate of 4.6%, resulting in a gain in accordance with GAAP of \$132,381,000 and an Economic Gain of \$60,113,000.

In October 2018, through the date of this release, the Company sold two wholly-owned operating communities, Avalon at Fairway Hills - Fields, located in Columbia, MD, and Avalon Fashion Valley, located in San Diego, CA. Avalon at Fairway Hills - Fields represents a single phase of a three phase community. In the aggregate, the two communities contain 353 apartment homes and were sold for \$110,250,000.

## Unconsolidated Real Estate Investments

### U.S. Fund

During the three months ended September 30, 2018, Multifamily Partners AC LP (the "U.S. Fund"), a private discretionary real estate investment vehicle in which the Company holds an equity interest of approximately 28.6%, sold Avalon Kirkland at Carillon containing 131 apartment homes for a sales price of \$85,500,000.

### AC JV

In October 2018, Multifamily Partners AC JV LP (the "AC JV"), a private discretionary real estate investment vehicle in which the Company holds an equity interest of 20.0%, sold Avalon Woodland Park containing 392 apartment homes for a sales price of \$94,250,000.

### NYC Joint Venture

As discussed in the Company's press release on October 4, 2018, the Company entered into an agreement to contribute five wholly-owned operating communities located in New York, NY, to a newly formed joint venture for estimated net proceeds of approximately \$460,000,000. The Company will retain a 20.0% interest in the venture and act as the managing member and property manager for the assets. The five communities contain an aggregate of 1,301 apartment homes and approximately 58,000 square feet of retail space. The transaction is expected to close in December 2018.

The Company will update the composition of its Established Communities portfolio in Q4 2018, with the updated portfolio composition including removing these five communities from the Established Communities portfolio as a result of the planned contribution to the joint venture. The change in the Established Communities portfolio by excluding these five communities will impact the Company's full year guidance, primarily as it relates to its Established Communities' operating expense and NOI growth. The impact is due to the decrease in land lease expense in 2018 from the Company's Avalon Morningside Park community, for which the Company purchased the land in December 2017, creating expected full year savings in 2018 land lease expense of approximately \$2,300,000. The following table presents the Company's outlook for full year 2018 Established Communities' operations both as if the five New York joint venture communities are included in the Established Communities portfolio, as well as if they are excluded from this portfolio.

### Full Year 2018 Revised Outlook Established Communities Assumptions

	NYC JV Communities Included		NYC JV Communities Excluded	
	Low	High	Low	High
Rental revenue change	2.3%	- 2.5%	2.4%	- 2.6%
Operating expense change	2.3%	- 2.7%	3.0%	- 3.4%
NOI change	2.2%	- 2.6%	2.0%	- 2.4%

### Liquidity and Capital Markets

At September 30, 2018, the Company had \$56,000,000 outstanding under its \$1,500,000,000 unsecured credit facility, and had \$281,591,000 in unrestricted cash and cash in escrow.

The Company's annualized Net Debt-to-Core EBITDAre (as defined in this release) for the third quarter of 2018 was 4.9 times.

During the three and nine months ended September 30, 2018, the Company repaid \$95,859,000 aggregate principal amount of variable rate mortgage notes, secured by one operating community, of which \$51,449,000 was repaid at par at its scheduled maturity date, and \$44,410,000 was repaid at par in advance of its April 2028 maturity date, recognizing a non-cash charge of \$1,678,000 for the write-off of unamortized discount.

During the nine months ended September 30, 2018, the Company issued \$300,000,000 principal amount of unsecured notes in a public offering under its existing shelf registration statement for net proceeds of \$296,210,000. The notes mature in April 2048 and were issued with a 4.35% coupon. The effective interest rate of the notes for the first ten years is 3.97%, including the impact of an interest rate hedge and offering costs, and for the remainder of the term the effective interest rate is 4.39%.

### Fourth Quarter and Full Year 2018 Financial Outlook

For its fourth quarter and full year 2018 financial outlook, the Company expects the following:



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**Projected EPS, Projected FFO and Projected Core FFO Outlook (1)**

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	Q4 2018		Full Year 2018	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Projected EPS	\$2.82	- \$2.90	\$7.08	- \$7.16
Projected FFO per share	\$2.17	- \$2.25	\$8.81	- \$8.89
Projected Core FFO per share	\$2.27	- \$2.35	\$8.96	- \$9.04

(1) Outlook includes the impact of the planned NYC joint venture transaction. See Definitions and Reconciliations, table 8, for reconciliations of Projected FFO per share and Projected Core FFO per share to Projected EPS.

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**Other Matters**

The Company will hold a conference call on October 30, 2018 at 11:00 AM ET to review and answer questions about this release, its third quarter 2018 results, the Attachments (described below) and related matters. To participate on the call, dial 855-719-5012 domestically and 334-323-0522 internationally and use conference id: 7309315.

To hear a replay of the call, which will be available from October 30, 2018 at 4:00 PM ET to November 6, 2018 at 4:00 PM ET, dial 888-203-1112 domestically and 719-457-0820 internationally and use conference id: 7309315. A webcast of the conference call will also be available at <http://www.avalonbay.com/earnings>, and an on-line playback of the webcast will be available for at least seven days following the call.

The Company produces Earnings Release Attachments (the "Attachments") that provide detailed information regarding operating, development, redevelopment, disposition and acquisition activity. These Attachments are considered a part of this earnings release and are available in full with this earnings release via the Company's website at <http://www.avalonbay.com/earnings>. To receive future press releases via e-mail, please submit a request through <http://www.avalonbay.com/email>.

In addition to the Attachments, the Company is providing a teleconference presentation that will be available on the Company's website at <http://www.avalonbay.com/earnings> subsequent to this release and before the market opens on October 30, 2018. These supplemental materials will be available on the Company's website for 30 days following the earnings call.

**About AvalonBay Communities, Inc.**

As of September 30, 2018, the Company owned or held a direct or indirect ownership interest in 290 apartment communities containing 84,490 apartment homes in 12 states and the District of Columbia, of which 19 communities were under development and 15 communities were under redevelopment. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in leading metropolitan areas primarily in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and the Northern and Southern California regions of the United States. More information may be found on the Company's website at <http://www.avalonbay.com>. For additional information, please contact Jason Reilley, Vice President of Investor Relations, at 703-317-4681.

**Forward-Looking Statements**

This release, including its Attachments, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which you can identify by the Company's use of words such as "expects," "plans," "estimates," "anticipates," "projects," "intends," "believes," "outlook" and similar expressions that do not relate to historical matters, are based on the Company's expectations, forecasts and assumptions at the time of this release, which may not be realized and involve risks and uncertainties that cannot be predicted accurately or that might not be anticipated. These could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Risks and uncertainties that might cause such differences include the following, among others: we may abandon development or redevelopment opportunities for which we have already incurred costs; adverse capital and credit market conditions may affect our access to various sources of capital and/or cost of capital, which may affect our business activities, earnings and common stock price, among other things; changes in local employment conditions, demand for apartment homes, supply of competitive housing products, and other economic conditions may result in lower than expected occupancy and/or rental rates and adversely affect the profitability of our communities; delays in completing development, redevelopment and/or lease-up may result in increased financing and construction costs and may delay and/or reduce the profitability of a community; debt and/or equity financing for development, redevelopment or acquisitions of communities may not be available or may not be available on favorable terms; we may be unable to obtain, or experience delays in obtaining, necessary governmental

permits and authorizations; expenses may result in communities that we develop or redevelop failing to achieve expected profitability; our assumptions concerning risks relating to our lack of control of joint ventures and our abilities to successfully dispose of certain assets may not be realized; and our assumptions and expectations in our financial outlook may prove to be too optimistic. Additional discussions of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements appear in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 under the heading "Risk Factors" and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" and in subsequent quarterly reports on Form 10-Q.

The Company does not undertake a duty to update forward-looking statements, including its expected 2018 operating results and other financial data forecasts contained in this release. The Company may, in its discretion, provide information in future public announcements regarding its outlook that may be of interest to the investment community. The format and extent of future outlooks may be different from the format and extent of the information contained in this release.

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## Definitions and Reconciliations

Non-GAAP financial measures and other capitalized terms, as used in this earnings release, are defined and further explained on Attachment 13, Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms. Attachment 13 is included in the full earnings release available at the Company's website at <http://www.avalonbay.com/earnings>. This wire distribution includes only definitions and reconciliations of the following non-GAAP financial measures:

Average Rental Rates are calculated by the Company as rental revenue in accordance with GAAP, divided by the weighted average number of occupied apartment homes.

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

Economic Gain (Loss) is calculated by the Company as the gain (loss) on sale in accordance with GAAP, less accumulated depreciation through the date of sale and any other non-cash adjustments that may be required under GAAP accounting. Management generally considers Economic Gain (Loss) to be an appropriate supplemental measure to gain (loss) on sale in accordance with GAAP because it helps investors to understand the relationship between the cash proceeds from a sale and the cash invested in the sold community. The Economic Gain (Loss) for disposed communities is based on their respective final settlement statements. A reconciliation of the aggregate Economic Gain (Loss) to the aggregate gain on sale in accordance with GAAP for the five wholly-owned operating communities disposed during the nine months ended September 30, 2018 is as follows (dollars in thousands):

TABLE 1	
	YTD 2018
GAAP Gain	\$ 132,381
Accumulated Depreciation and Other	(72,268)
Economic Gain (Loss)	\$ 60,113

Established Communities are consolidated communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had Stabilized Operations, as defined below, as of the beginning of the respective prior year period. Therefore, for 2018 operating results, Established Communities are consolidated communities that have Stabilized Operations as of January 1, 2017, are not conducting or planning to conduct substantial redevelopment activities and are not held for sale or planned for disposition within the current year.

EBITDA, EBITDAre and Core EBITDAre are considered by management to be supplemental measures of our financial performance. EBITDA is defined by the Company as net income or loss attributable to the Company before interest income and expense, income taxes, depreciation and amortization. EBITDAre is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), as EBITDA plus or minus losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property, with adjustments to reflect the Company's share of EBITDAre of unconsolidated entities. Core EBITDAre is the Company's EBITDAre as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of the Company's core business operations, Core EBITDAre can help one compare the core operating and financial performance of the Company between periods. A reconciliation of EBITDA, EBITDAre and Core EBITDAre to net income is as follows (dollars in thousands):

TABLE 2

	Q3 2018	Q3 2017
Net income	\$ 192,407	\$ 238,199
Interest expense, net, inclusive of loss on extinguishment of debt, net	55,775	47,741
Income tax expense	29	24
Depreciation expense	156,538	144,990
EBITDA	<u>\$ 404,749</u>	<u>\$ 430,954</u>
Gain on sale of communities	(27,243)	(27,738)
Joint venture EBITDAre adjustments (1)	(5,358)	(27,885)
EBITDAre	<u>\$ 372,148</u>	<u>\$ 375,331</u>
(Gain) loss on other real estate transactions	(12)	120
Joint venture promote	—	(19,977)
Casualty and impairment gain	(554)	—
Lost NOI from casualty losses covered by business interruption insurance	—	2,375
Business interruption insurance proceeds	—	(3,495)
Advocacy contributions	843	—
Severance related costs	80	18
Development pursuit write-offs and expensed transaction costs, net	188	339
Asset management fee intangible write-off	218	274
Legal settlements	—	7
Core EBITDAre	<u>\$ 372,911</u>	<u>\$ 354,992</u>

(1) Includes joint venture interest, taxes, depreciation, gain on dispositions of depreciated real estate and impairment losses, if applicable, included in net income attributable to common stockholders.

FFO and Core FFO are considered by management to be supplemental measures of our operating and financial performance. FFO is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is calculated by the Company as Net income or loss attributable to common stockholders computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, cumulative effect of a change in accounting principle, impairment write-downs of depreciable real estate assets, write-downs of investments in affiliates which are driven by a decrease in the value of depreciable real estate assets held by the affiliate and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. By excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating and financial performance of a company's real estate between periods or as compared to different companies. Core FFO is the Company's FFO as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of our core business operations, Core FFO can help one compare the core operating and financial performance of the Company between periods. A reconciliation of Net income attributable to common stockholders to FFO and to Core FFO is as follows (dollars in thousands):

TABLE 3

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Net income attributable to common stockholders	\$ 192,486	\$ 238,248	\$ 588,791	\$ 639,348
Depreciation - real estate assets, including joint venture adjustments	156,204	144,409	470,976	426,494
Distributions to noncontrolling interests	11	11	33	32
Gain on sale of unconsolidated entities holding previously depreciated real estate	(8,636)	(31,413)	(8,636)	(40,110)
Gain on sale of previously depreciated real estate	(27,243)	(27,738)	(132,444)	(159,754)
FFO attributable to common stockholders	312,822	323,517	918,720	866,010
Adjusting items:				
Joint venture losses (1)	307	430	314	811
Joint venture promote (2)	—	(19,977)	(925)	(26,742)
Impairment loss on real estate (3)(5)	—	—	—	9,350
Casualty (gain) loss, net on real estate (4)(5)	(554)	—	(612)	2,338
Business interruption insurance proceeds (6)	—	(3,495)	—	(3,495)
Lost NOI from casualty losses covered by business interruption insurance (7)	—	2,375	1,730	6,242
Loss on extinguishment of consolidated debt	1,678	—	2,717	24,162
Advocacy contributions	843	—	1,449	—
Hedge ineffectiveness	—	—	—	(753)
Severance related costs	80	18	582	153
Development pursuit write-offs and expensed transaction costs, net	188	339	758	1,174
(Gain) loss on other real estate transactions	(12)	120	(335)	(246)
Legal settlements	—	7	367	91
Core FFO attributable to common stockholders	\$ 315,352	\$ 303,334	\$ 924,765	\$ 879,095
Average shares outstanding - diluted	138,323,064	138,307,046	138,230,724	138,006,192
Earnings per share - diluted	\$ 1.39	\$ 1.72	\$ 4.26	\$ 4.63
FFO per common share - diluted	\$ 2.26	\$ 2.34	\$ 6.65	\$ 6.28
Core FFO per common share - diluted	\$ 2.28	\$ 2.19	\$ 6.69	\$ 6.37

(1) Amounts for 2017 and 2018 are primarily composed of (i) the Company's portion of yield maintenance charges incurred for the early repayment of debt associated with joint venture disposition activity and (ii) the write-off of asset management fee intangibles primarily associated with the disposition of communities in the U.S. Fund.

(2) Represents the Company's promoted interest in Fund II.

(3) Amount for YTD 2017 includes an impairment charge for a land parcel the Company had acquired for development and sold in July 2017.

(4) Amounts for 2018 include \$554 in legal settlement proceeds for construction defects at a community acquired as part of the Archstone acquisition. Amount for YTD 2017 includes \$19,481 for the Maplewood casualty loss, partially offset by \$17,143 of property damage insurance proceeds.

(5) Aggregate impact of (i) Impairment loss on real estate and (ii) Casualty (gain) loss, net on real estate, is a gain of \$554 and \$612 for Q3 2018 and YTD 2018, respectively, and a loss of \$11,688 for YTD 2017.

(6) Amounts for 2017 are composed of business interruption insurance proceeds resulting from the final insurance settlement of the Maplewood casualty loss.

(7) Amounts for 2018 are for the Maplewood casualty loss in Q1 2017, for which the Company recognized \$3,495 in business interruption insurance proceeds in Q3 2017. Amounts for 2017 are for a casualty event at Avalon at Edgewater ("Edgewater") in Q1 2015, for which the Company received \$20,306 in business interruption insurance proceeds in Q1 2016, and amounts related to the Maplewood casualty loss.

**Initial Year Market Cap Rate** is defined by the Company as Projected NOI of a single community for the first 12 months of operations (assuming no repositioning), less estimates for non-routine allowance of approximately \$300 - \$500 per apartment home, divided by the gross sales price for the community. Projected NOI, as referred to above, represents management's estimate of projected rental revenue minus projected operating expenses before interest, income taxes (if any), depreciation and amortization. For this purpose, management's projection of operating expenses for the community includes a management fee of 2.5% - 3.5%. The Initial Year Market Cap Rate, which may be determined in a different manner by others, is a measure frequently used in the real estate industry when determining the appropriate purchase price for a property or estimating the value for a property. Buyers may assign different Initial Year Market Cap Rates to different communities when determining the appropriate value because they (i) may project different rates of change in operating expenses and capital expenditure estimates and (ii) may project different rates of change in future rental revenue due to different estimates for changes in rent and occupancy levels. The weighted average Initial Year Market Cap Rate is weighted based on the gross sales price of each community.

Interest Coverage is calculated by the Company as Core EBITDAre, divided by the sum of interest expense, net, and preferred dividends, if applicable. Interest Coverage is presented by the Company because it provides rating agencies and investors an additional means of comparing our ability to service debt obligations to that of other companies. A calculation of Interest Coverage for the three months ended September 30, 2018 is as follows (dollars in thousands):

TABLE 4	
Core EBITDAre	\$ 372,911
Interest expense, net	\$ 54,097
Interest Coverage	6.9 times

Net Debt-to-Core EBITDAre is calculated by the Company as total debt that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized third quarter 2018 Core EBITDAre, as adjusted. A calculation of Net Debt-to-Core EBITDAre is as follows (dollars in thousands):

TABLE 5	
Total debt principal (1)	\$ 7,603,792
Cash and cash in escrow	(281,591)
Net debt	\$ 7,322,201
Core EBITDAre	\$ 372,911
Core EBITDAre, annualized	\$ 1,491,644
Net Debt-to-Core EBITDAre	4.9 times

(1) Balance at September 30, 2018 excludes \$10,293 of debt discount and \$35,762 of deferred financing costs as reflected in unsecured notes, net, and \$14,618 of debt discount and \$9,891 of deferred financing costs as reflected in notes payable on the Condensed Consolidated Balance Sheets.

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, net, loss (gain) on extinguishment of debt, net, general and administrative expense, joint venture income, depreciation expense, corporate income tax expense, casualty and impairment loss (gain), net, gain on sale of communities, loss (gain) on other real estate transactions and net operating income from real estate assets sold or held for sale. The Company considers NOI to be an important and appropriate supplemental performance measure to Net Income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level property management overhead or financing-related costs. NOI reflects the operating performance of a community, and allows for an easier comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impact to overhead as a result of acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets.

A reconciliation of NOI to Net Income, as well as a breakdown of NOI by operating segment, is as follows (dollars in thousands):

TABLE 6

	Q3 2018	Q3 2017	Q2 2018	Q1 2018	Q4 2017	YTD 2018	YTD 2017
Net income	\$ 192,407	\$ 238,199	\$ 254,543	\$ 141,590	\$ 237,486	\$ 588,540	\$ 639,174
Indirect operating expenses, net of corporate income	18,855	15,752	18,913	18,082	16,926	55,850	48,472
Investments and investment management expense	1,726	1,501	1,529	1,643	1,659	4,898	4,277
Expensed transaction, development and other pursuit costs, net of recoveries	1,020	789	889	800	649	2,709	2,087
Interest expense, net	54,097	47,741	56,585	55,113	52,523	165,795	147,138
Loss on extinguishment of debt, net	1,678	—	642	397	1,310	2,717	24,162
General and administrative expense	13,934	11,679	14,502	13,664	11,904	42,100	38,910
Joint venture income	(10,031)	(52,568)	(789)	(1,740)	(358)	(12,560)	(70,386)
Depreciation expense	156,538	144,990	156,685	159,059	157,100	472,282	427,050
Casualty and impairment (gain) loss, net	(554)	—	—	(58)	(5,438)	(612)	11,688
Gain on sale of communities	(27,243)	(27,738)	(105,201)	—	(92,845)	(132,444)	(159,754)
(Gain) loss on other real estate transactions	(12)	120	(370)	47	11,153	(335)	(246)
NOI from real estate assets sold or held for sale	(2,545)	(10,340)	(6,167)	(7,201)	(8,539)	(15,913)	(35,162)
NOI	\$ 399,870	\$ 370,125	\$ 391,761	\$ 381,396	\$ 383,530	\$ 1,173,027	\$ 1,077,410
Established:							
New England	\$ 40,005	\$ 38,635	\$ 38,864	\$ 38,138	\$ 39,092	\$ 117,008	\$ 113,423
Metro NY/NJ	74,562	71,864	72,913	71,921	74,274	219,396	215,187
Mid-Atlantic	41,432	40,020	41,162	40,462	41,360	123,056	120,186
Pacific NW	15,681	15,692	15,234	14,838	16,073	45,753	45,632
No. California	70,465	68,731	70,342	69,059	68,772	209,866	205,168
So. California	60,931	59,013	61,511	60,433	60,470	182,875	177,326
Total Established	303,076	293,955	300,026	294,851	300,041	897,954	876,922
Other Stabilized	45,196	34,746	44,588	42,714	41,945	132,498	88,946
Redevelopment	36,676	35,324	35,190	34,335	35,137	106,200	106,051
Development (1)	14,922	6,100	11,957	9,496	6,407	36,375	5,491
NOI	\$ 399,870	\$ 370,125	\$ 391,761	\$ 381,396	\$ 383,530	\$ 1,173,027	\$ 1,077,410

(1) Development NOI for Q3 and YTD 2017 includes \$3,495 of business interruption insurance proceeds related to the Maplewood casualty loss.

NOI as reported by the Company does not include the operating results from assets sold or classified as held for sale. A reconciliation of NOI from communities sold or classified as held for sale is as follows (dollars in thousands):

TABLE 7

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue from real estate assets sold or held for sale	\$ 4,006	\$ 16,280	\$ 24,747	\$ 54,803
Operating expenses from real estate assets sold or held for sale	(1,461)	(5,940)	(8,834)	(19,641)
NOI from real estate assets sold or held for sale	\$ 2,545	\$ 10,340	\$ 15,913	\$ 35,162

Other Stabilized Communities are completed consolidated communities that the Company owns, which have Stabilized Operations as of January 1, 2018. Other Stabilized Communities do not include communities that are conducting or planning to conduct substantial redevelopment activities.

Projected FFO and Projected Core FFO, as provided within this release in the Company's outlook, are calculated on a basis consistent with historical FFO and Core FFO, and are therefore considered to be appropriate supplemental measures to projected Net Income from projected operating performance. A reconciliation of the ranges provided for Projected FFO per share (diluted) for the fourth quarter and full year 2018 to the ranges provided for projected EPS (diluted) and corresponding reconciliation of the ranges for Projected FFO per share to the ranges for Projected Core FFO per share are as follows:

TABLE 8

	Low Range	High Range
Projected EPS (diluted) - Q4 2018	\$ 2.82	\$ 2.90
Depreciation (real estate related)	1.17	1.09
Gain on sale of communities	(1.82)	(1.74)
Projected FFO per share (diluted) - Q4 2018	2.17	2.25
Joint venture promote and other income, development pursuit and other write-offs	0.01	0.01
Advocacy contributions	0.02	0.02
Loss on extinguishment of consolidated debt	0.07	0.07
Projected Core FFO per share (diluted) - Q4 2018	\$ 2.27	\$ 2.35
Projected EPS (diluted) - Full Year 2018	\$ 7.08	\$ 7.16
Depreciation (real estate related)	4.49	4.57
Gain on sale of communities	(2.76)	(2.84)
Projected FFO per share (diluted) - Full Year 2018	8.81	8.89
Joint venture promote and other income, development pursuit and other write-offs	0.02	0.02
Lost NOI from casualty losses covered by business interruption insurance	0.01	0.01
Advocacy contributions	0.03	0.03
Loss on extinguishment of consolidated debt	0.09	0.09
Projected Core FFO per share (diluted) - Full Year 2018	\$ 8.96	\$ 9.04

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

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

Projected Stabilized Yield (also expressed as "weighted average initial stabilized yield" or words of similar meaning) means Projected NOI as a percentage of Total Capital Cost.

Rental Revenue with Concessions on a Cash Basis is considered by the Company to be a supplemental measure to rental revenue in conformity with GAAP to help investors evaluate the impact of both current and historical concessions on GAAP-based rental revenue and to more readily enable comparisons to revenue as reported by other companies. In addition, Rental Revenue with Concessions on a Cash Basis allows an investor to understand the historical trend in cash concessions.



A reconciliation of rental revenue from Established Communities in conformity with GAAP to Rental Revenue with Concessions on a Cash Basis is as follows (dollars in thousands):

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Rental revenue (GAAP basis)	\$ 426,849	\$ 417,168	\$ 1,265,546	\$ 1,235,823
Concessions amortized	278	864	959	3,942
Concessions granted	(126)	(282)	(683)	(1,335)
<b>Rental Revenue with Concessions</b>				
on a Cash Basis	\$ 427,001	\$ 417,750	\$ 1,265,822	\$ 1,238,430
% change -- GAAP revenue		2.3%		2.4%
% change -- cash revenue		2.2%		2.2%

Stabilized Operations/Restabilized Operations is defined as the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.

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

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by outstanding secured debt as of September 30, 2018 as a percentage of total NOI generated by real estate assets. The Company believes that current and prospective unsecured creditors of the Company view Unencumbered NOI as one indication of the borrowing capacity of the Company. Therefore, when reviewed together with the Company's Interest Coverage, EBITDA and cash flow from operations, the Company believes that investors and creditors view Unencumbered NOI as a useful supplemental measure for determining the financial flexibility of an entity. A calculation of Unencumbered NOI for the nine months ended September 30, 2018 is as follows (dollars in thousands):

	Year to Date NOI
NOI for Established Communities	\$ 897,954
NOI for Other Stabilized Communities	132,498
NOI for Redevelopment Communities	106,200
NOI for Development Communities	36,375
NOI from real estate assets sold or held for sale	15,913
Total NOI generated by real estate assets	1,188,940
NOI on encumbered assets	121,015
NOI on unencumbered assets	\$ 1,067,925
Unencumbered NOI	90%



# PRESS RELEASE

For Immediate News Release  
October 29, 2018

## AVALONBAY COMMUNITIES, INC. ANNOUNCES THIRD QUARTER 2018 OPERATING RESULTS

(Arlington, VA) AvalonBay Communities, Inc. (NYSE: AVB) (the "Company") reported today that Net Income Attributable to Common Stockholders for the three months ended September 30, 2018 was \$192,486,000. This resulted in a decrease in Earnings per Share – diluted ("EPS") of 19.2% to \$1.39 for the three months ended September 30, 2018, from \$1.72 for the prior year period.

Funds from Operations attributable to common stockholders - diluted ("FFO") per share for the three months ended September 30, 2018 decreased 3.4% to \$2.26 from \$2.34 for the prior year period. Core FFO per share (as defined in this release) for the three months ended September 30, 2018 increased 4.1% to \$2.28 from \$2.19 for the prior year period.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the three months ended September 30, 2018 to its results for the prior year period:

### Q3 2018 Results Compared to Q3 2017

	Per Share		
	EPS	FFO	Core FFO
Q3 2017 per share reported results	\$ 1.72	\$ 2.34	\$ 2.19
Established and Redevelopment Community NOI (1)	0.08	0.08	0.07
Development and Other Stabilized Community NOI (1)	0.16	0.16	0.16
Capital markets activity	(0.11)	(0.11)	(0.10)
Joint venture income (2)	(0.14)	(0.14)	—
Overhead expense and other	(0.04)	(0.04)	(0.04)
Business interruption insurance proceeds (3)	(0.03)	(0.03)	—
Gain on sale of real estate and depreciation expense	(0.25)	—	—
Q3 2018 per share reported results	\$ 1.39	\$ 2.26	\$ 2.28

(1) Core FFO per share includes lost NOI from casualty losses covered by business interruption insurance. See Attachment 13, table 3.

(2) EPS and FFO per share include the Company's promoted interest in joint ventures. See Attachment 13, table 3.

(3) EPS and FFO per share include business interruption insurance proceeds in Q3 2017. See Attachment 13, table 3.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the third quarter of 2018 to its July 2018 outlook:

### Third Quarter 2018 Results Comparison to July 2018 Outlook

	Per Share		
	EPS	FFO	Core FFO
Projected per share - July 2018 outlook (1)	\$ 1.66	\$ 2.23	\$ 2.25
Established and Redevelopment Community NOI	0.01	0.01	0.01
Interest and other	0.02	0.02	0.02
Gain on sale of real estate and depreciation expense	(0.30)	—	—
Q3 2018 per share reported results	\$ 1.39	\$ 2.26	\$ 2.28

(1) The mid-point of the Company's July 2018 outlook.

For the nine months ended September 30, 2018, EPS decreased 8.0% to \$4.26 from \$4.63 for the prior year period, FFO per share increased 5.9% to \$6.65 from \$6.28 for the prior year period, and Core FFO per share increased 5.0% to \$6.69 from \$6.37 for the prior year period.

The following table compares the Company's actual results for EPS, FFO per share and Core FFO per share for the nine months ended September 30, 2018 to its results for the prior year period:

**YTD 2018 Results  
Comparison to YTD 2017**

	Per Share		
	EPS	FFO	Core FFO
YTD 2017 per share reported results	\$ 4.63	\$ 6.28	\$ 6.37
Established and Redevelopment Community NOI (1)	0.15	0.15	0.11
Other Stabilized and Development Community NOI (1)	0.57	0.57	0.57
Capital markets activity	(0.12)	(0.12)	(0.27)
Joint venture income and management fees (2)	(0.20)	(0.20)	(0.01)
Overhead expense and other	(0.09)	(0.09)	(0.08)
Business interruption insurance proceeds and casualty and impairment gain, net (3)	0.06	0.06	—
Gain on sale of real estate and depreciation expense	(0.74)	—	—
YTD 2018 per share reported results	\$ 4.26	\$ 6.65	\$ 6.69

(1) Core FFO per share includes lost NOI from casualty losses covered by business interruption insurance. See Attachment 13, table 3.

(2) EPS and FFO per share include the Company's promoted interest in joint ventures. See Attachment 13, table 3.

(3) EPS and FFO per share include business interruption insurance proceeds in 2017. See Attachment 13, table 3.

**Operating Results for the Three Months Ended September 30, 2018 Compared to the Prior Year Period**

For the Company, total revenue increased by \$25,482,000, or 4.6%, to \$575,982,000. This increase is primarily due to growth in revenue from stabilized operating communities and Development Communities.

For Established Communities, total revenue increased \$9,693,000, or 2.3%, to \$427,023,000. Operating expenses for Established Communities increased \$572,000, or 0.5%, to \$123,947,000. NOI for Established Communities increased \$9,121,000, or 3.1%, to \$303,076,000. Rental revenue for Established Communities increased 2.3% as a result of an increase in Average Rental Rates of 2.5%, partially offset by a decrease in Economic Occupancy of 0.2%. If the Company were to include current and previously completed Redevelopment Communities as part of its Established Communities portfolio, the increase in Established Communities' rental revenue would have remained consistent at 2.3%.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the three months ended September 30, 2018 compared to the three months ended September 30, 2017:

**Q3 2018 Compared to Q3 2017**

	Rental Revenue (1)	Opex (2)	NOI	% of NOI (3)
	New England	3.1%	2.2 %	3.5 %
Metro NY/NJ	1.1%	(4.7)%	3.8 %	24.1%
Mid-Atlantic	2.0%	(1.2)%	3.5 %	16.5%
Pacific NW	2.1%	8.5 %	(0.1)%	5.6%
No. California	2.8%	3.6 %	2.5 %	20.0%
So. California	3.1%	2.8 %	3.3 %	20.0%
Total	2.3%	0.5 %	3.1 %	100.0%

(1) See Attachment 4, Quarterly Rental Revenue and Occupancy Changes, for additional detail.

(2) See Attachment 7, Operating Expenses ("Opex"), for discussion of variances.

(3) Represents each region's % of total NOI for Q3 2018, including amounts related to communities that have been sold or that are classified as held for sale.

**Operating Results for the Nine Months Ended September 30, 2018 Compared to the Prior Year Period**

For the Company, total revenue increased by \$102,678,000, or 6.4%, to \$1,706,015,000. This increase is primarily due to growth in revenue from stabilized operating communities and Development Communities.

For Established Communities, total revenue increased \$29,858,000, or 2.4%, to \$1,266,066,000. Operating expenses for Established Communities increased \$8,826,000, or 2.5% to \$368,112,000. NOI for Established Communities increased \$21,032,000, or 2.4%, to \$897,954,000. Rental revenue for Established Communities increased 2.4% as a result of an increase in Average Rental Rates of 2.4% with Economic Occupancy remaining consistent at 96.2%. If the Company were to include current and previously completed Redevelopment Communities as part of its Established Communities portfolio, the increase in Established Communities' rental revenue would have remained consistent at 2.4%.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017:

**YTD 2018 Compared to YTD 2017**

	Rental Revenue (1)	Opex (2)	NOI	% of NOI (3)
New England	2.8%	2.0 %	3.2%	13.8%
Metro NY/NJ	1.4%	0.2 %	2.0%	23.6%
Mid-Atlantic	1.5%	(0.3)%	2.4%	16.6%
Pacific NW	2.7%	9.6 %	0.3%	5.5%
No. California	2.6%	3.5 %	2.3%	20.0%
So. California	3.8%	5.5 %	3.1%	20.5%
<b>Total</b>	<b>2.4%</b>	<b>2.5 %</b>	<b>2.4%</b>	<b>100.0%</b>

(1) See Attachment 6, YTD Rental Revenue and Occupancy Changes, for additional detail.

(2) See Attachment 7, Operating Expenses ("Opex"), for discussion of variances.

(3) Represents each region's % of total NOI for YTD 2018, including amounts related to communities that have been sold or that are classified as held for sale.

**Development Activity**

During the three months ended September 30, 2018, the Company completed the development of two communities:

- Avalon Dogpatch, located in San Francisco, CA; and
- AVA North Point, located in Cambridge, MA.

These communities contain an aggregate of 591 apartment homes and were constructed for an aggregate Total Capital Cost of \$314,000,000, or \$265,000,000 at share, when including only the Company's interest in AVA North Point, which was developed through a joint venture.

The Company started the construction of two communities:

- Avalon Harbor East, located in Baltimore, MD; and
- Avalon Old Bridge, located in Old Bridge, NJ.

These communities are expected to contain an aggregate of 652 apartment homes and 7,000 square feet of retail space when completed and will be developed for an aggregate estimated Total Capital Cost of \$205,000,000.

During the nine months ended September 30, 2018, the Company completed the development of seven communities containing an aggregate of 1,915 apartment homes, for an aggregate Total Capital Cost of \$742,000,000, or \$693,000,000 at share, when including only the Company's interest in AVA North Point.

At September 30, 2018, the Company had 19 communities under construction that in the aggregate are expected to contain 6,107 apartment homes and 127,000 square feet of retail space. Estimated Total Capital Cost at completion is \$2,738,000,000.

The Company is exploring a potential for-sale strategy of individual condominium units for the residential portion of one of its Development Communities, 15 West 61st Street. As a result, the Company may commence the sales process for the residential units in the first half of 2019, subject to future market conditions. The Company intends to own and operate the retail portion of the development, which is expected to complete construction during 2019.

The projected Total Capital Cost of Development Rights at September 30, 2018 increased to \$3.6 billion from \$3.5 billion at June 30, 2018.

**Acquisition Activity**

In September 2018, the Company acquired Avalon Arundel Crossing, located in Linthicum Heights, MD, containing 310 apartment homes for a purchase price of \$83,000,000.

In October 2018, the Company acquired the Alexander Apartments and Lofts, located in West Palm Beach, FL, containing 290 apartment homes for a purchase price of \$103,000,000.

**Disposition Activity**

*Consolidated Apartment Communities*

During the three months ended September 30, 2018, the Company sold Avalon Ballston Place, a wholly-owned operating community located in Arlington, VA. Avalon Ballston Place contains 383 apartment homes and 5,000 square feet of retail space and was sold for \$169,000,000.

During the nine months ended September 30, 2018, the Company sold five wholly-owned operating communities containing an aggregate of 1,330 apartment homes and 17,000 square feet of retail space; these assets were sold for \$476,100,000 and a weighted average Initial Year Market Cap Rate of 4.6%, resulting in a gain in accordance with GAAP of \$132,381,000 and an Economic Gain of \$60,113,000.

In October 2018, through the date of this release, the Company sold two wholly-owned operating communities, Avalon at Fairway Hills - Fields, located in Columbia, MD, and Avalon Fashion Valley, located in San Diego, CA. Avalon at Fairway Hills - Fields represents a single phase of a three phase community. In the aggregate, the two communities contain 353 apartment homes and were sold for \$110,250,000.

## Unconsolidated Real Estate Investments

### U.S. Fund

During the three months ended September 30, 2018, Multifamily Partners AC LP (the "U.S. Fund"), a private discretionary real estate investment vehicle in which the Company holds an equity interest of approximately 28.6%, sold Avalon Kirkland at Carillon containing 131 apartment homes for a sales price of \$85,500,000.

### AC JV

In October 2018, Multifamily Partners AC JV LP (the "AC JV"), a private discretionary real estate investment vehicle in which the Company holds an equity interest of 20.0%, sold Avalon Woodland Park containing 392 apartment homes for a sales price of \$94,250,000.

### NYC Joint Venture

As discussed in the Company's press release on October 4, 2018, the Company entered into an agreement to contribute five wholly-owned operating communities located in New York, NY, to a newly formed joint venture for estimated net proceeds of approximately \$460,000,000. The Company will retain a 20.0% interest in the venture and act as the managing member and property manager for the assets. The five communities contain an aggregate of 1,301 apartment homes and approximately 58,000 square feet of retail space. The transaction is expected to close in December 2018.

The Company will update the composition of its Established Communities portfolio in Q4 2018, with the updated portfolio composition including removing these five communities from the Established Communities portfolio as a result of the planned contribution to the joint venture. The change in the Established Communities portfolio by excluding these five communities will impact the Company's full year guidance, primarily as it relates to its Established Communities' operating expense and NOI growth. The impact is due to the decrease in land lease expense in 2018 from the Company's Avalon Morningside Park community, for which the Company purchased the land in December 2017, creating expected full year savings in 2018 land lease expense of approximately \$2,300,000. The following table presents the Company's outlook for full year 2018 Established Communities' operations both as if the five New York joint venture communities are included in the Established Communities portfolio, as well as if they are excluded from this portfolio.

### Full Year 2018 Revised Outlook Established Communities Assumptions

	NYC JV Communities Included		NYC JV Communities Excluded	
	Low	High	Low	High
Rental revenue change	2.3%	- 2.5%	2.4%	- 2.6%
Operating expense change	2.3%	- 2.7%	3.0%	- 3.4%
NOI change	2.2%	- 2.6%	2.0%	- 2.4%

### Liquidity and Capital Markets

At September 30, 2018, the Company had \$56,000,000 outstanding under its \$1,500,000,000 unsecured credit facility, and had \$281,591,000 in unrestricted cash and cash in escrow.

The Company's annualized Net Debt-to-Core EBITDAre (as defined in this release) for the third quarter of 2018 was 4.9 times.

During the three and nine months ended September 30, 2018, the Company repaid \$95,859,000 aggregate principal amount of variable rate mortgage notes, secured by one operating community, of which \$51,449,000 was repaid at par at its scheduled maturity date, and \$44,410,000 was repaid at par in advance of its April 2028 maturity date, recognizing a non-cash charge of \$1,678,000 for the write-off of unamortized discount.

During the nine months ended September 30, 2018, the Company issued \$300,000,000 principal amount of unsecured notes in a public offering under its existing shelf registration statement for net proceeds of \$296,210,000. The notes mature in April 2048 and were issued with a 4.35% coupon. The effective interest rate of the notes for the first ten years is 3.97%, including the impact of an interest rate hedge and offering costs, and for the remainder of the term the effective interest rate is 4.39%.

### Fourth Quarter and Full Year 2018 Financial Outlook

For its fourth quarter and full year 2018 financial outlook, the Company expects the following:

**Projected EPS, Projected FFO and Projected Core FFO Outlook (1)**

	Q4 2018		Full Year 2018	
	Low	High	Low	High
Projected EPS	\$2.82	- \$2.90	\$7.08	- \$7.16
Projected FFO per share	\$2.17	- \$2.25	\$8.81	- \$8.89
Projected Core FFO per share	\$2.27	- \$2.35	\$8.96	- \$9.04

(1) Outlook includes the impact of the planned NYC joint venture transaction. See Attachment 13, table 8, for reconciliations of Projected FFO per share and Projected Core FFO per share to Projected EPS.

**Other Matters**

The Company will hold a conference call on October 30, 2018 at 11:00 AM ET to review and answer questions about this release, its third quarter 2018 results, the Attachments (described below) and related matters. To participate on the call, dial 855-719-5012 domestically and 334-323-0522 internationally and use conference id: 7309315.

To hear a replay of the call, which will be available from October 30, 2018 at 4:00 PM ET to November 6, 2018 at 4:00 PM ET, dial 888-203-1112 domestically and 719-457-0820 internationally and use conference id: 7309315. A webcast of the conference call will also be available at <http://www.avalonbay.com/earnings>, and an on-line playback of the webcast will be available for at least seven days following the call.

The Company produces Earnings Release Attachments (the "Attachments") that provide detailed information regarding operating, development, redevelopment, disposition and acquisition activity. These Attachments are considered a part of this earnings release and are available in full with this earnings release via the Company's website at <http://www.avalonbay.com/earnings>. To receive future press releases via e-mail, please submit a request through <http://www.avalonbay.com/email>.

In addition to the Attachments, the Company is providing a teleconference presentation that will be available on the Company's website at <http://www.avalonbay.com/earnings> subsequent to this release and before the market opens on October 30, 2018. These supplemental materials will be available on the Company's website for 30 days following the earnings call.

**About AvalonBay Communities, Inc.**

As of September 30, 2018, the Company owned or held a direct or indirect ownership interest in 290 apartment communities containing 84,490 apartment homes in 12 states and the District of Columbia, of which 19 communities were under development and 15 communities were under redevelopment. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in leading metropolitan areas primarily in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and the Northern and Southern California regions of the United States. More information may be found on the Company's website at <http://www.avalonbay.com>. For additional information, please contact Jason Reilley, Vice President of Investor Relations, at 703-317-4681.

**Forward-Looking Statements**

This release, including its Attachments, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which you can identify by the Company's use of words such as "expects," "plans," "estimates," "anticipates," "projects," "intends," "believes," "outlook" and similar expressions that do not relate to historical matters, are based on the Company's expectations, forecasts and assumptions at the time of this release, which may not be realized and involve risks and uncertainties that cannot be predicted accurately or that might not be anticipated. These could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Risks and uncertainties that might cause such differences include the following, among others: we may abandon development or redevelopment opportunities for which we have already incurred costs; adverse capital and credit market conditions may affect our access to various sources of capital and/or cost of capital, which may affect our business activities, earnings and common stock price, among other things; changes in local employment conditions, demand for apartment homes, supply of competitive housing products, and other economic conditions may result in lower than expected occupancy and/or rental rates and adversely affect the profitability of our communities; delays in completing development, redevelopment and/or lease-up may result in increased financing and construction costs and may delay and/or reduce the profitability of a community; debt and/or equity financing for development, redevelopment or acquisitions of communities may not be available or may not be available on favorable terms; we may be unable to obtain, or experience delays in obtaining, necessary governmental

permits and authorizations; expenses may result in communities that we develop or redevelop failing to achieve expected profitability; our assumptions concerning risks relating to our lack of control of joint ventures and our abilities to successfully dispose of certain assets may not be realized; and our assumptions and expectations in our financial outlook may prove to be too optimistic. Additional discussions of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements appear in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 under the heading "Risk Factors" and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" and in subsequent quarterly reports on Form 10-Q.

The Company does not undertake a duty to update forward-looking statements, including its expected 2018 operating results and other financial data forecasts contained in this release. The Company may, in its discretion, provide information in future public announcements regarding its outlook that may be of interest to the investment community. The format and extent of future outlooks may be different from the format and extent of the information contained in this release.

#### **Definitions and Reconciliations**

Non-GAAP financial measures and other capitalized terms, as used in this earnings release, are defined and further explained on Attachment 13, Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms. Attachment 13 is included in the full earnings release available at the Company's website at <http://www.avalonbay.com/earnings>.

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Avalon Great Neck  
Great Neck, NY



AVA NoMa  
Washington, DC



eaves Rancho Penasquitos  
San Diego, CA

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## THIRD QUARTER 2018

### Supplemental Operating and Financial Data

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AvalonBay offers three distinct brands – Avalon, AVA and eaves by Avalon - each targeted to different customer segments with unique needs and preferences. This brand portfolio helps us reach new customers and better serve our existing residents.





# THIRD QUARTER 2018

## Supplemental Operating and Financial Data

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The following is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The projections and estimates contained in the following attachments, including but not limited to Attachments 9, 10 and 13, are forward-looking statements that involve risks and uncertainties, and actual results may differ materially from those projected in such statements. Risks associated with the Company's development, redevelopment, construction, and lease-up activities which could impact the forward-looking statements are discussed in the paragraph titled "Forward-Looking Statements" in the release that accompanies these attachments. Among other risks, development opportunities may be abandoned; Total Capital Cost of a community may exceed original estimates, possibly making the community uneconomical and/or affecting projected returns; construction and lease-up may not be completed on schedule, resulting in increased debt service and construction costs; and other risks described in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the Company's Quarterly Reports on Form 10-Q for subsequent quarters, could cause actual results to differ materially from such projections and estimates.



## Attachment 1

**AvalonBay Communities, Inc.**  
**Condensed Consolidated Operating Information**  
**September 30, 2018**  
(Dollars in thousands except per share data)  
(unaudited)

	Q3 2018	Q3 2017	% Change	YTD 2018	YTD 2017	% Change
<b>Revenue:</b>						
Rental and other income (1)	\$ 575,070	\$ 549,507	4.7 %	\$ 1,703,263	\$ 1,600,047	6.5 %
Management, development and other fees	912	993	(8.2)%	2,752	3,290	(16.4)%
Total	575,982	550,500	4.6 %	1,706,015	1,603,337	6.4 %
<b>Operating expenses:</b>						
Direct property operating expenses, excluding property taxes	111,415	111,330	0.1 %	333,174	323,263	3.1 %
Property taxes	61,230	57,698	6.1 %	181,120	164,195	10.3 %
Property management and other indirect operating expenses	19,777	16,759	18.0 %	58,631	51,779	13.2 %
Total operating expenses	192,422	185,787	3.6 %	572,925	539,237	6.2 %
Interest expense, net	(54,097)	(47,741)	13.3 %	(165,795)	(147,138)	12.7 %
Loss on extinguishment of debt, net	(1,678)	—	100.0 %	(2,717)	(24,162)	(88.8)%
General and administrative expense	(13,934)	(11,679)	19.3 %	(42,100)	(38,910)	8.2 %
Joint venture income (2)	10,031	52,568	(80.9)%	12,560	70,386	(82.2)%
Investments and investment management	(1,726)	(1,501)	15.0 %	(4,898)	(4,277)	14.5 %
Expensed transaction, development and other pursuit costs, net of recoveries	(1,020)	(789)	29.3 %	(2,709)	(2,087)	29.8 %
Depreciation expense	(156,538)	(144,990)	8.0 %	(472,282)	(427,050)	10.6 %
Casualty and impairment gain (loss), net (3)	554	—	100.0 %	612	(11,688)	N/A
Gain on sale of communities	27,243	27,738	(1.8)%	132,444	159,754	(17.1)%
Gain (loss) on other real estate transactions	12	(120)	N/A	335	246	36.2 %
Net income	192,407	238,199	(19.2)%	588,540	639,174	(7.9)%
Net loss attributable to noncontrolling interests	79	49	61.2 %	251	174	44.3 %
Net income attributable to common stockholders	\$ 192,486	\$ 238,248	(19.2)%	\$ 588,791	\$ 639,348	(7.9)%
Net income attributable to common stockholders per common share - basic	\$ 1.39	\$ 1.73	(19.7)%	\$ 4.26	\$ 4.64	(8.2)%
Net income attributable to common stockholders per common share - diluted	\$ 1.39	\$ 1.72	(19.2)%	\$ 4.26	\$ 4.63	(8.0)%
FFO (4)	\$ 312,822	\$ 323,517	(3.3)%	\$ 918,720	\$ 866,010	6.1 %
Per common share - diluted	\$ 2.26	\$ 2.34	(3.4)%	\$ 6.65	\$ 6.28	5.9 %
Core FFO (4)	\$ 315,352	\$ 303,334	4.0 %	\$ 924,765	\$ 879,095	5.2 %
Per common share - diluted	\$ 2.28	\$ 2.19	4.1 %	\$ 6.69	\$ 6.37	5.0 %
Dividends declared - common	\$ 203,334	\$ 196,083	3.7 %	\$ 609,972	\$ 587,818	3.8 %
Per common share	\$ 1.47	\$ 1.42	3.5 %	\$ 4.41	\$ 4.26	3.5 %
Average shares and participating securities outstanding - basic	138,247,503	138,104,883	0.1 %	138,222,333	137,844,090	0.3 %
Average shares outstanding - diluted	138,323,064	138,307,046	— %	138,230,724	138,006,192	0.2 %
Total outstanding common shares and operating partnership units	138,229,668	138,094,393	0.1 %	138,229,668	138,094,393	0.1 %

(1) Amounts for the three and nine months ended September 30, 2017 include business interruption insurance proceeds of \$3,495.

(2) Joint venture income includes amounts related to disposition activity as well as amounts earned for the Company's promoted interest.

(3) Amounts for the three and nine months ended September 30, 2018 include legal settlement proceeds for construction defects at a community acquired as part of the Archstone acquisition. Amount for the nine months ended September 30, 2017 includes an impairment charge for a land parcel the Company had acquired for development and sold in July 2017, and the casualty loss at Avalon Maplewood ("Maplewood"), partially offset by property damage insurance proceeds.

(4) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

**Attachment 2**

**AvalonBay Communities, Inc.**  
**Condensed Consolidated Balance Sheets**  
**September 30, 2018**  
(Dollars in thousands)  
(unaudited)

	September 30, 2018	December 31, 2017
Real estate	\$ 20,667,871	\$ 20,561,272
Less accumulated depreciation	(4,585,609)	(4,218,379)
Net operating real estate	16,082,262	16,342,893
Construction in progress, including land	1,651,406	1,306,300
Land held for development	116,582	68,364
Real estate assets held for sale, net	79,963	—
Total real estate, net	17,930,213	17,717,557
Cash and cash equivalents	55,887	67,088
Cash in escrow (1)	225,704	134,818
Resident security deposits	34,132	32,686
Investments in unconsolidated real estate entities	173,563	163,475
Other assets	242,620	299,197
Total assets	\$ 18,662,119	\$ 18,414,821
Unsecured notes, net	\$ 6,153,945	\$ 5,852,764
Unsecured credit facility	56,000	—
Notes payable, net	1,323,283	1,476,706
Resident security deposits	61,059	58,473
Other liabilities	664,357	632,776
Total liabilities	8,258,644	8,020,719
Redeemable noncontrolling interests	6,077	6,056
Equity	10,397,398	10,388,046
Total liabilities and equity	\$ 18,662,119	\$ 18,414,821

(1) Amount as of September 30, 2018 includes \$85,828 related to proceeds from dispositions held in escrow for subsequent tax deferred exchange activity.

**Attachment 3**

**AvalonBay Communities, Inc.**  
**Sequential Operating Information by Business Segment (1)**  
**September 30, 2018**  
(Dollars in thousands, except per home data)  
(unaudited)

	Total Apartment Homes	Quarter Ended September 30, 2018	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended December 31, 2017
<b>RENTAL REVENUE (2)</b>					
Established (3)	56,202	\$ 426,849	\$ 421,744	\$ 416,953	\$ 416,773
Other Stabilized (3) (4)	9,285	66,164	64,750	63,204	59,858
Redevelopment (3)	7,070	54,265	53,159	52,779	52,724
Development (3)	8,715	22,075	18,601	15,112	11,206
Total Consolidated Communities	81,272	\$ 569,353	\$ 558,254	\$ 548,048	\$ 540,561

<b>OPERATING EXPENSE</b>					
Established		\$ 123,947	\$ 121,912	\$ 122,252	\$ 116,947
Other Stabilized (4)		21,335	20,237	20,936	17,945
Redevelopment		18,739	18,180	18,485	17,625
Development		7,163	6,655	5,618	4,801
Total Consolidated Communities		\$ 171,184	\$ 166,984	\$ 167,291	\$ 157,318

<b>NOI (3)</b>					
Established		\$ 303,076	\$ 300,026	\$ 294,851	\$ 300,041
Other Stabilized (4)		45,196	44,588	42,714	41,945
Redevelopment		36,676	35,190	34,335	35,137
Development		14,922	11,957	9,496	6,407
Total Consolidated Communities		\$ 399,870	\$ 391,761	\$ 381,396	\$ 383,530

<b>AVERAGE REVENUE PER OCCUPIED HOME (5)</b>					
Established		\$ 2,633	\$ 2,599	\$ 2,572	\$ 2,571
Other Stabilized (4)		\$ 2,539	\$ 2,502	\$ 2,456	\$ 2,422
Redevelopment		\$ 2,713	\$ 2,650	\$ 2,624	\$ 2,622

<b>ECONOMIC OCCUPANCY (3) (5)</b>					
Established		96.1%	96.2%	96.1%	96.2%
Other Stabilized (4)		95.7%	95.9%	95.4%	94.0%
Redevelopment		94.3%	94.6%	94.8%	94.8%

<b>ESTABLISHED COMMUNITIES TURNOVER (6)</b>					
Current year period / Prior year period		66.4% / 66.1%	57.5% / 61.7%	43.5% / 44.7%	45.3% / 47.5%
Current year period YTD / Prior year period YTD		55.9% / 57.6%			54.5% / 54.1%

- (1) Includes consolidated communities and excludes amounts related to communities that have been sold or that are classified as held for sale.
- (2) Rental revenue excludes non-qualified REIT income and business interruption insurance proceeds.
- (3) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (4) Results for these communities for quarters prior to January 1, 2018 may reflect community operations prior to stabilization, including periods of lease-up, such that occupancy levels are below what would be considered stabilized.
- (5) For per home rent projections and Economic Occupancy for Development Communities currently under construction and/or completed in Q3 2018, see Attachment 9 - Development Communities.
- (6) Turnover represents the annualized number of units turned over during the period, divided by the total number of apartment homes for Established Communities for the respective reporting period.

<b>ESTABLISHED COMMUNITIES LIKE-TERM EFFECTIVE RENT CHANGE (3)</b>
--

	Q3 2018	Q3 2017
New England	3.8%	2.9%
Metro NY/NJ	2.5%	2.1%
Mid-Atlantic	2.3%	1.6%
Pacific NW	3.2%	5.2%
No. California	4.0%	1.5%
So. California	3.4%	4.0%
Total	3.2%	2.5%

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## Attachment 4

**AvalonBay Communities, Inc.**  
**Quarterly Rental Revenue and Occupancy Changes - Established Communities (1)**  
**September 30, 2018**  
(unaudited)

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000s)			% Change incl. Redev (4)
		Q3 18	Q3 17	% Change	Q3 18	Q3 17	% Change	Q3 18	Q3 17	% Change	
<b>New England</b>											
Boston, MA	6,331	\$ 2,548	\$ 2,465	3.4%	96.2%	96.1%	0.1 %	\$ 46,578	\$ 45,000	3.5%	3.7%
Fairfield-New Haven, CT	1,970	2,500	2,467	1.3%	96.2%	95.6%	0.6 %	14,205	13,940	1.9%	1.9%
New England	8,301	2,537	2,467	2.8%	96.2%	95.9%	0.3 %	60,783	58,940	3.1%	3.3%
<b>Metro NY/NJ</b>											
New York City, NY	4,033	3,817	3,777	1.1%	96.7%	96.8%	(0.1)%	44,680	44,234	1.0%	0.4%
New York - Suburban	3,233	3,136	3,063	2.4%	96.4%	96.8%	(0.4)%	29,319	28,754	2.0%	2.2%
New Jersey	4,424	2,531	2,508	0.9%	96.2%	96.7%	(0.5)%	32,312	32,176	0.4%	0.4%
Metro NY/NJ	11,690	3,142	3,101	1.3%	96.5%	96.7%	(0.2)%	106,311	105,164	1.1%	0.9%
<b>Mid-Atlantic</b>											
Washington Metro/Baltimore, MD	9,274	2,233	2,193	1.8%	96.1%	95.9%	0.2 %	59,705	58,529	2.0%	1.8%
Mid-Atlantic	9,274	2,233	2,193	1.8%	96.1%	95.9%	0.2 %	59,705	58,529	2.0%	1.8%
<b>Pacific Northwest</b>											
Seattle, WA	3,256	2,341	2,294	2.0%	96.0%	95.9%	0.1 %	21,944	21,487	2.1%	1.7%
Pacific Northwest	3,256	2,341	2,294	2.0%	96.0%	95.9%	0.1 %	21,944	21,487	2.1%	1.7%
<b>Northern California</b>											
San Jose, CA	4,197	2,853	2,742	4.0%	96.0%	96.7%	(0.7)%	34,474	33,365	3.3%	4.1%
Oakland-East Bay, CA	3,252	2,607	2,553	2.1%	95.8%	96.3%	(0.5)%	24,367	23,980	1.6%	1.6%
San Francisco, CA	3,349	3,461	3,357	3.1%	96.0%	96.0%	0.0 %	33,389	32,397	3.1%	3.1%
Northern California	10,798	2,968	2,874	3.3%	95.9%	96.4%	(0.5)%	92,230	89,742	2.8%	3.1%
<b>Southern California</b>											
Los Angeles, CA	8,374	2,395	2,318	3.3%	96.0%	96.1%	(0.1)%	57,748	55,966	3.2%	3.5%
Orange County, CA	2,443	2,165	2,114	2.4%	95.1%	96.2%	(1.1)%	15,088	14,893	1.3%	0.8%
San Diego, CA	2,066	2,175	2,088	4.2%	96.7%	96.1%	0.6 %	13,040	12,447	4.8%	4.8%
Southern California	12,883	2,316	2,243	3.3%	95.9%	96.1%	(0.2)%	85,876	83,306	3.1%	3.2%
<b>Total Established</b>	<b>56,202</b>	<b>\$ 2,633</b>	<b>\$ 2,570</b>	<b>2.5%</b>	<b>96.1%</b>	<b>96.3%</b>	<b>(0.2)%</b>	<b>\$ 426,849</b>	<b>\$ 417,168</b>	<b>2.3%</b>	<b>(3)</b>

(1) Established Communities are communities with Stabilized Operations as of January 1, 2017 such that a comparison of Q3 2017 to Q3 2018 is meaningful.

(2) Reflects the effect of concessions amortized over the average lease term.

(3) With concessions reflected on a cash basis, rental revenue from Established Communities increased 2.2% from Q3 2017 to Q3 2018. The increase in rental revenue on an accrual basis is greater than the increase on a cash basis from Q3 2017 to Q3 2018 due to a decrease in the amount of concessions being amortized as compared to the prior year period, with the amount of concessions amortized in a calendar quarter typically a function of concessions granted during the preceding 12 month period.

(4) Represents the change in rental revenue if the Company were to include planned, current and previously completed Redevelopment Communities as part of its Established Communities portfolio.



## Attachment 5

**AvalonBay Communities, Inc.**  
**Sequential Quarterly Rental Revenue and Occupancy Changes - Established Communities (1)**  
**September 30, 2018**  
(unaudited)

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000s)			% Change incl. Redev (3)
		Q3 18	Q2 18	% Change	Q3 18	Q2 18	% Change	Q3 18	Q2 18	% Change	
<b>New England</b>											
Boston, MA	6,331	\$ 2,548	\$ 2,496	2.1%	96.2%	95.9%	0.3 %	\$ 46,578	\$ 45,497	2.4%	2.5%
Fairfield-New Haven, CT	1,970	2,500	2,460	1.6%	96.2%	96.2%	0.0 %	14,205	13,987	1.6%	1.6%
New England	8,301	2,537	2,488	2.0%	96.2%	96.0%	0.2 %	60,783	59,484	2.2%	2.3%
<b>Metro NY/NJ</b>											
New York City, NY	4,033	3,817	3,811	0.2%	96.7%	95.9%	0.8 %	44,680	44,200	1.1%	1.6%
New York - Suburban	3,233	3,136	3,084	1.7%	96.4%	96.3%	0.1 %	29,319	28,808	1.8%	2.0%
New Jersey	4,424	2,531	2,518	0.5%	96.2%	96.3%	(0.1)%	32,312	32,184	0.4%	0.4%
Metro NY/NJ	11,690	3,142	3,121	0.7%	96.5%	96.1%	0.4 %	106,311	105,192	1.1%	1.4%
<b>Mid-Atlantic</b>											
Washington Metro/Baltimore, MD	9,274	2,233	2,220	0.6%	96.1%	95.9%	0.2 %	59,705	59,260	0.8%	0.7%
Mid-Atlantic	9,274	2,233	2,220	0.6%	96.1%	95.9%	0.2 %	59,705	59,260	0.8%	0.7%
<b>Pacific Northwest</b>											
Seattle, WA	3,256	2,341	2,274	2.9%	96.0%	95.9%	0.1 %	21,944	21,296	3.0%	2.7%
Pacific Northwest	3,256	2,341	2,274	2.9%	96.0%	95.9%	0.1 %	21,944	21,296	3.0%	2.7%
<b>Northern California</b>											
San Jose, CA	4,197	2,853	2,782	2.6%	96.0%	97.3%	(1.3)%	34,474	34,086	1.1%	1.2%
Oakland-East Bay, CA	3,252	2,607	2,579	1.1%	95.8%	96.4%	(0.6)%	24,367	24,257	0.5%	0.5%
San Francisco, CA	3,349	3,461	3,408	1.6%	96.0%	96.6%	(0.6)%	33,389	33,080	0.9%	0.9%
Northern California	10,798	2,968	2,915	1.8%	95.9%	96.8%	(0.9)%	92,230	91,423	0.9%	1.0%
<b>Southern California</b>											
Los Angeles, CA	8,374	2,395	2,368	1.1%	96.0%	96.5%	(0.5)%	57,748	57,382	0.6%	0.9%
Orange County, CA	2,443	2,165	2,133	1.5%	95.1%	95.6%	(0.5)%	15,088	14,945	1.0%	0.8%
San Diego, CA	2,066	2,175	2,137	1.8%	96.7%	96.3%	0.4 %	13,040	12,762	2.2%	2.2%
Southern California	12,883	2,316	2,286	1.3%	95.9%	96.3%	(0.4)%	85,876	85,089	0.9%	1.0%
<b>Total Established</b>	<b>56,202</b>	<b>\$ 2,633</b>	<b>\$ 2,599</b>	<b>1.3%</b>	<b>96.1%</b>	<b>96.2%</b>	<b>(0.1)%</b>	<b>\$ 426,849</b>	<b>\$ 421,744</b>	<b>1.2%</b>	<b>1.3%</b>

(1) Established Communities are communities with Stabilized Operations as of January 1, 2017.

(2) Reflects the effect of concessions amortized over the average lease term.

(3) Represents the change in rental revenue if the Company were to include planned, current and previously completed Redevelopment Communities as part of its Established Communities portfolio.

## Attachment 6

**AvalonBay Communities, Inc.**  
**Year To Date Rental Revenue and Occupancy Changes - Established Communities (1)**  
**September 30, 2018**

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000's)			% Change incl. Redev (4)
		Year to Date 2018	Year to Date 2017	% Change	Year to Date 2018	Year to Date 2017	% Change	Year to Date 2018	Year to Date 2017	% Change	
<b>New England</b>											
Boston, MA	6,331	\$ 2,509	\$ 2,428	3.3%	95.9%	96.1%	(0.2)%	\$ 137,046	\$ 132,895	3.1%	3.1%
Fairfield-New Haven, CT	1,970	2,466	2,433	1.4%	96.2%	95.9%	0.3 %	42,079	41,373	1.7%	1.7%
New England	8,301	2,499	2,427	3.0%	95.9%	96.1%	(0.2)%	179,125	174,268	2.8%	2.8%
<b>Metro NY/NJ</b>											
New York City, NY	4,033	3,806	3,764	1.1%	96.1%	96.4%	(0.3)%	132,806	131,746	0.8%	0.1%
New York - Suburban	3,233	3,088	3,032	1.8%	96.2%	96.2%	0.0 %	86,425	84,866	1.8%	2.0%
New Jersey	4,424	2,511	2,465	1.9%	96.3%	96.3%	0.0 %	96,308	94,511	1.9%	1.8%
Metro NY/NJ	11,690	3,117	3,070	1.5%	96.2%	96.3%	(0.1)%	315,539	311,123	1.4%	1.1%
<b>Mid-Atlantic</b>											
Washington Metro/Baltimore, MD	9,274	2,213	2,181	1.5%	95.9%	95.9%	0.0 %	177,219	174,558	1.5%	1.4%
Mid-Atlantic	9,274	2,213	2,181	1.5%	95.9%	95.9%	0.0 %	177,219	174,558	1.5%	1.4%
<b>Pacific Northwest</b>											
Seattle, WA	3,256	2,289	2,229	2.7%	96.0%	96.0%	0.0 %	64,429	62,753	2.7%	2.5%
Pacific Northwest	3,256	2,289	2,229	2.7%	96.0%	96.0%	0.0 %	64,429	62,753	2.7%	2.5%
<b>Northern California</b>											
San Jose, CA	4,197	2,793	2,720	2.7%	96.8%	96.8%	0.0 %	102,141	99,436	2.7%	3.5%
Oakland-East Bay, CA	3,252	2,581	2,521	2.4%	96.2%	96.5%	(0.3)%	72,706	71,216	2.1%	2.0%
San Francisco, CA	3,349	3,414	3,338	2.3%	96.4%	95.9%	0.5 %	99,168	96,500	2.8%	2.8%
Northern California	10,798	2,922	2,852	2.5%	96.5%	96.4%	0.1 %	274,015	267,152	2.6%	2.8%
<b>Southern California</b>											
Los Angeles, CA	8,374	2,369	2,283	3.8%	96.2%	96.1%	0.1 %	171,727	165,345	3.9%	4.0%
Orange County, CA	2,443	2,143	2,092	2.4%	95.7%	95.9%	(0.2)%	45,069	44,087	2.2%	1.5%
San Diego, CA	2,066	2,145	2,051	4.6%	96.3%	95.7%	0.6 %	38,423	36,537	5.2%	5.2%
Southern California	12,883	2,290	2,209	3.7%	96.1%	96.0%	0.1 %	255,219	245,969	3.8%	3.7%
<b>Total Established</b>	<b>56,202</b>	<b>\$ 2,602</b>	<b>\$ 2,541</b>	<b>2.4%</b>	<b>96.2%</b>	<b>96.2%</b>	<b>0.0 %</b>	<b>\$ 1,265,546</b>	<b>\$ 1,235,823</b>	<b>2.4%</b>	<b>2.4%</b>

(1) Established Communities are communities with Stabilized Operations as of January 1, 2017 such that a comparison of year to date 2017 to year to date 2018 is meaningful.

(2) Reflects the effect of concessions amortized over the average lease term.

(3) With concessions reflected on a cash basis, rental revenue from Established Communities increased 2.2% between years. The increase in rental revenue on an accrual basis is greater than the increase on a cash basis from YTD 2017 to YTD 2018 due to a decrease in the amount of concessions being amortized as compared to the prior year period, with the amount of concessions amortized in a reporting period typically a function of concessions granted during the preceding 12 month period.

(4) Represents the change in rental revenue if the Company were to include planned, current and previously completed Redevelopment Communities as part of its Established Communities portfolio.

**AvalonBay Communities, Inc.**  
**Operating Expenses ("Opex") - Established Communities (1)**  
**September 30, 2018**  
(Dollars in thousands)  
(unaudited)

	Q3 2018	Q3 2017	% Change	Q3 2018 % of Total Opex	Year to Date 2018	Year to Date 2017	% Change	Year to Date 2018 % of Total Opex
Property taxes (2)	\$ 42,772	\$ 41,537	3.0 %	34.5%	\$ 126,836	\$ 120,048	5.7 %	34.5%
Payroll (3)	27,157	26,685	1.8 %	21.9%	82,981	80,821	2.7 %	22.5%
Repairs & maintenance (4)	21,524	20,181	6.7 %	17.4%	59,943	58,474	2.5 %	16.3%
Office operations (5)	13,668	14,832	(7.8)%	11.0%	42,658	44,605	(4.4)%	11.6%
Utilities (6)	11,740	11,993	(2.1)%	9.5%	34,540	33,646	2.7 %	9.4%
Insurance (7)	4,422	4,765	(7.2)%	3.6%	13,308	12,908	3.1 %	3.6%
Marketing (8)	2,664	3,382	(21.2)%	2.1%	7,846	8,784	(10.7)%	2.1%
<b>Total Established Communities Operating Expenses</b>	<b>\$ 123,947</b>	<b>\$ 123,375</b>	<b>0.5 %</b>	<b>100.0%</b>	<b>\$ 368,112</b>	<b>\$ 359,286</b>	<b>2.5 %</b>	<b>100.0%</b>

- (1) Operating expenses for Established Communities exclude indirect costs for off-site corporate-level property management related expenses and other support-related expenses. See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (2) Property taxes increased for the three and nine months ended September 30, 2018 over the prior year periods primarily due to increased assessments in the Company's East Coast markets and the Pacific Northwest. The increase for the nine months ended September 30, 2018 over the prior year period is also due to successful appeals in the California markets in the prior year period.
- (3) Payroll costs increased for the three and nine months ended September 30, 2018 over the prior year periods primarily due to merit increases in associate compensation, partially offset by decreased benefits costs.
- (4) Repairs and maintenance increased for the three and nine months ended September 30, 2018 over the prior year periods primarily due to increased turnover costs and the timing of various maintenance projects.
- (5) Office operations includes administrative costs, land lease expense, bad debt expense and association and license fees. The decreases for the three and nine months ended September 30, 2018 from the prior year periods are primarily due to decreased land lease expense of \$607 and \$1,820, respectively, from the purchase of land at Avalon Morningside Park previously subject to a ground lease, as well as decreased bad debt expense.
- (6) Utilities represents aggregate utility costs, net of resident reimbursements. The decrease for the three months ended September 30, 2018 from the prior year period is primarily due to decreased water and sewer expense, net of resident reimbursements. The increase for the nine months ended September 30, 2018 over the prior year period is primarily due to increased trash removal costs primarily in the Company's West Coast markets, as well as higher rates and consumption for gas in the Company's Northeast markets, partially offset by decreased water and sewer expense, net of resident reimbursements.
- (7) Insurance costs consist of premiums, expected claims activity and associated reductions from receipt of claims recoveries. The decrease for the three months ended September 30, 2018 from the prior year period is primarily due to the timing of claims, partially offset by increased property insurance premiums. The increase for the nine months ended September 30, 2018 over the prior year period is primarily due to increased property insurance premiums and deductibles, and the timing of claims. Insurance costs can be variable due to the amounts and timing of estimated and actual claim activity and the related recoveries received.
- (8) Marketing costs decreased for the three and nine months ended September 30, 2018 from the prior year periods primarily due to a decrease in call center costs resulting from increased internet based tour scheduling and other initiatives related to centralized lead management.

**Attachment 8**

**AvalonBay Communities, Inc.**  
**Expensed Community Maintenance Costs and Capitalized Community Expenditures**  
**September 30, 2018**  
(Dollars in thousands except per home data)  
(unaudited)

Current Communities (1)	YTD 2018 Maintenance Expensed Per Home				Categorization of YTD 2018 Additional Capitalized Value (2)					
	Apartment Homes (1)	Carpet Replacement	Other Maintenance (3)	Total	Acquisitions, Construction, Redevelopment & Dispositions (4)	NOI Enhancing (5)(6)	Asset Preservation (5)	YTD 2018 Additional Capitalized Value	NOI Enhancing per home	Asset Preservation per home
Established Communities	56,202	\$ 111	\$ 1,668	\$ 1,779	\$ — (7)	\$ 9,141	\$ 46,115	\$ 55,256	\$ 163	\$ 821
Other Stabilized Communities	9,285	92	1,550	1,642	91,707 (8)	1,926	2,768	96,401	\$ 207	\$ 298
Redevelopment Communities (9)	7,070	59	1,884	1,943	154,280	—	—	154,280	—	—
Development Communities (9)	8,715	4	490	494	588,648	—	—	588,648	—	—
Dispositions	—	—	—	—	(312,386)	—	—	(312,386)	—	—
<b>Total</b>	<b>81,272</b>	<b>\$ 93 (10)</b>	<b>\$ 1,547 (10)</b>	<b>\$ 1,640</b>	<b>\$ 522,249</b>	<b>\$ 11,067</b>	<b>\$ 48,883</b>	<b>\$ 582,199</b>	<b>N/A</b>	<b>N/A</b>

- (1) Includes consolidated communities and excludes communities that have been sold or that are classified as held for sale.
- (2) Policy is to capitalize expenditures for the acquisition or development of new assets or expenditures that extend the life of existing assets that will benefit the Company for periods greater than a year.
- (3) Other maintenance includes maintenance, landscaping and redecorating costs.
- (4) Includes the impact of the write-off of impaired assets and additional capitalized spend related to recognized casualty and impairment loss.
- (5) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (6) Includes \$924 in rebates received during the nine months ended September 30, 2018, primarily related to NOI Enhancing Capex incurred during 2017. Additionally, Established Communities includes \$3,356 and Other Stabilized Communities includes \$1,490 related to retail space.
- (7) Represents redevelopment that is primarily focused on the exterior and/or common area and therefore is included in the Established Community portfolio and not classified as Redevelopment.
- (8) Represents acquired communities, coupled with commitment close-outs and construction true-ups on recently constructed communities.
- (9) Represents communities that were under construction/reconstruction during the period, including communities where construction/reconstruction has been completed.
- (10) Total maintenance expensed per home excludes maintenance costs related to dispositions.

Other Capitalized Costs		
	Interest	Overhead
Q4 2017	\$ 13,097	\$ 11,533
Q1 2018	\$ 13,164	\$ 12,524
Q2 2018	\$ 14,567	\$ 11,538
Q3 2018	\$ 16,277	\$ 10,878

## Attachment 9

**AvalonBay Communities, Inc.**  
**Development Communities as of September 30, 2018**  
(unaudited)

Community Information		Number of Apt Homes	Total Capital Cost (millions) (1)	Schedule				Avg Rent Per Home (1)	% Complete	% Leased	% Occupied	% Economic Occ. Q3 '18 (1)
Development Name	Location			Start	Initial Occupancy	Complete	Full Qtr Stabilized Ops (1)					

**High Rise Communities:**

1.	15 West 61st Street (2)	New York, NY	172	\$ 604	Q4 2016	Q2 2019	Q4 2019	Q2 2020	\$ 10,730	—	—	—	—
2.	Avalon Belltown Towers (2)	Seattle, WA	273	147	Q4 2016	Q3 2019	Q4 2019	Q2 2020	3,510	—	—	—	—
3.	Avalon Towson	Towson, MD	371	114	Q4 2017	Q1 2020	Q4 2020	Q2 2021	2,065	—	—	—	—
4.	Avalon Harbor East	Baltimore, MD	400	139	Q3 2018	Q4 2020	Q3 2021	Q1 2022	2,615	—	—	—	—
<b>High Rise Under Construction Subtotal / Weighted Average</b>			<b>1,216</b>	<b>\$ 1,004</b>					<b>\$ 3,795</b>				

**High Rise Weighted Average Projected NOI as a % of Total Capital Cost (1)**

5.2%

**Mid Rise Communities:**

1.	Avalon Boonton	Boonton, NJ	350	\$ 91	Q3 2016	Q2 2019	Q1 2020	Q3 2020	\$ 2,390	—	—	—	—
2.	Avalon Public Market	Emeryville, CA	289	163	Q4 2016	Q2 2019	Q4 2019	Q2 2020	3,605	—	—	—	—
3.	Avalon Teaneck	Teaneck, NJ	248	73	Q4 2016	Q3 2019	Q1 2020	Q3 2020	2,510	—	—	—	—
4.	AVA Hollywood (2)	Hollywood, CA	695	365	Q4 2016	Q2 2019	Q2 2020	Q4 2020	3,380	—	—	—	—
5.	AVA Esterra Park	Redmond, WA	323	91	Q2 2017	Q4 2018	Q3 2019	Q1 2020	2,060	—	—	—	—
6.	Avalon at the Hingham Shipyard II	Hingham, MA	190	64	Q2 2017	Q3 2018	Q2 2019	Q4 2019	2,740	45%	34%	18%	4%
7.	Avalon Yonkers	Yonkers, NY	590	188	Q4 2017	Q4 2019	Q2 2021	Q3 2021	2,750	—	—	—	—
8.	Avalon Walnut Creek II	Walnut Creek, CA	200	109	Q4 2017	Q4 2019	Q2 2020	Q4 2020	3,465	—	—	—	—
9.	Avalon Saugus (2)	Saugus, MA	280	93	Q2 2018	Q3 2019	Q1 2020	Q3 2020	2,365	—	—	—	—
10.	Avalon Doral	Doral, FL	350	111	Q2 2018	Q2 2020	Q1 2021	Q3 2021	2,215	—	—	—	—
11.	Avalon Norwood	Norwood, MA	198	61	Q2 2018	Q3 2019	Q1 2020	Q3 2020	2,345	—	—	—	—
<b>Mid Rise Under Construction Subtotal / Weighted Average</b>			<b>3,713</b>	<b>\$ 1,409</b>					<b>\$ 2,760</b>				

12.	Avalon Dogpatch	San Francisco, CA	326	\$ 204	Q4 2015	Q3 2017	Q3 2018	Q4 2018	\$ 4,660	100%	98%	97%	94%
13.	AVA North Point (3)	Cambridge, MA	265	110	Q2 2016	Q1 2018	Q3 2018	Q4 2018	2,980	100%	94%	93%	79%
<b>Mid Rise Communities Completed Subtotal / Weighted Average</b>			<b>591</b>	<b>\$ 314</b>					<b>\$ 3,910</b>				

**Mid Rise Weighted Average Projected NOI as a % of Total Capital Cost (1)**

6.0%

**Garden Communities:**

1.	Avalon Piscataway	Piscataway, NJ	360	\$ 90	Q2 2017	Q3 2018	Q2 2019	Q4 2019	\$ 2,265	28%	30%	24%	14%
2.	Avalon Sudbury	Sudbury, MA	250	85	Q3 2017	Q2 2018	Q1 2019	Q3 2019	2,740	56%	59%	46%	29%
3.	Avalon North Creek	Bothell, WA	316	84	Q4 2017	Q2 2019	Q1 2020	Q3 2020	2,105	—	—	—	—
4.	Avalon Old Bridge	Old Bridge, NJ	252	66	Q3 2018	Q1 2020	Q3 2020	Q1 2021	2,355	—	—	—	—
<b>Garden Under Construction Subtotal / Weighted Average</b>			<b>1,178</b>	<b>\$ 325</b>					<b>\$ 2,340</b>				

**Garden Weighted Average Projected NOI as a % of Total Capital Cost (1)**

6.6%

<b>Total / Weighted Average Under Construction and Completed this quarter</b>	<b>6,698</b>	<b>\$ 3,052</b>	<b>\$ 2,975</b>
<b>Total Weighted Average Projected NOI as a % of Total Capital Cost (1)</b>	<b>5.8%</b>		

**Asset Cost Basis (millions) (4):**

Total Capital Cost, under construction and completed	\$ 3,351
Total Capital Cost, disbursed to date	(2,119)
Total Capital Cost, remaining to invest	<u>\$ 1,232</u>

(1) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms. Unconsolidated joint venture communities are excluded from weighted average projected NOI as a % of Total Capital Cost.

(2) Developments containing at least 10,000 square feet of retail space include 15 West 61st Street (67,000 sf), Avalon Belltown Towers (11,000 sf), AVA Hollywood (19,000 sf) and Avalon Saugus (23,000 sf).

(3) The Company developed this project within an unconsolidated joint venture formed in July 2016, in which the Company owns a 55.0% interest. Total Capital Cost is for the venture and reflects the underlying land at the assigned contribution value upon formation of the venture.

(4) Includes the communities presented on this attachment plus two additional communities with 822 apartment homes representing \$347 million in Total Capital Costs which have completed construction but not yet achieved Stabilized Operations for the full quarter. Q3 2018 NOI for these 23 communities was \$8 million. AVA North Point is included at AVB share.

**AvalonBay Communities, Inc.**  
**Future Development as of September 30, 2018**  
(unaudited)

<b>DEVELOPMENT RIGHTS (1)</b>			
	# of Rights	Estimated Number of Homes	Total Capital Cost (1) (millions)
<b>Development Rights as of 12/31/2017</b>	<b>29</b>	<b>9,496</b>	<b>\$ 3,788</b>
<b>Q1 &amp; Q2 2018</b>			
Q1 & Q2 Additions	1	350	\$ 111
Q1 & Q2 Construction starts	(3)	(828)	(265)
Q1 & Q2 Adjustments to existing Development Rights	(2)	(507)	(103)
<b>Development Rights as of 6/30/2018</b>	<b>25</b>	<b>8,511</b>	<b>\$ 3,531</b>
<b>Q3 2018</b>			
Q3 2018 Additions	3	919	\$ 284
Q3 2018 Construction starts	(2)	(652)	(205)
Q3 2018 Adjustments to existing Development Rights	(1)	(178)	(38)
<b>Development Rights as of 9/30/2018</b>	<b>25</b>	<b>8,600</b>	<b>\$ 3,572</b>
<b>Current Development Rights by Region as of September 30, 2018</b>			
New England	4	922	\$ 356
Metro NY/NJ	7	2,970	1,263
Mid-Atlantic	2	671	159
Pacific Northwest	3	845	270
Northern California	5	1,543	829
Southern California	3	1,282	580
Denver	1	367	115
	<b>25</b>	<b>8,600</b>	<b>\$ 3,572</b>

(1) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

**AvalonBay Communities, Inc.**  
**Unconsolidated Real Estate Investments**  
**September 30, 2018**  
(Dollars in thousands)  
(unaudited)

Unconsolidated Real Estate Investments (1)	Number of Communities	Company Ownership Percentage	Number of Apartment Homes	Select Operating Information				Debt	
				NOI (2)(3)		Disposition Gains and Other Activity (2)(4)		Principal Amount (2)	Interest Rate (5)
				Q3 2018	YTD 2018	Q3 2018	YTD 2018		
U.S. Fund	5	28.6%	946	\$ 6,138	18,040	30,640	30,640	\$ 206,735	3.08%
AC JV LP (6)	3	20.0%	921	4,860	13,715	—	—	162,300 (7)	6.00%
North Point II JV, LP (8)	1	55.0%	265	1,223	1,378	—	—	—	—
MVP I, LLC	1	25.0%	313	2,862	8,464	—	—	103,000	3.24%
Brandywine Apartments of Maryland, LLC	1	28.7%	305	1,243	3,744	—	—	22,338	3.40%
<b>Total Unconsolidated Real Estate Investments</b>	<b>11</b>		<b>2,750</b>	<b>\$ 16,326</b>	<b>\$ 45,341</b>	<b>\$ 30,640</b>	<b>\$ 30,640</b>	<b>\$ 494,373</b>	<b>4.09%</b>

(1) Excludes development joint ventures and joint ventures formed with Equity Residential as part of the Archstone acquisition.

(2) NOI, outstanding indebtedness and disposition gains and other activity are presented at 100% ownership.

(3) NOI includes \$805 and \$2,422 in Q3 and YTD 2018, respectively, from one U.S. Fund community disposed of during the three months ended September 30, 2018. NOI excludes property management fees as the Company serves as the property management company for all ventures except Brandywine Apartments of Maryland, LLC.

(4) Disposition gains and other activity is composed primarily of gains on disposition of unconsolidated real estate investments, of which the Company's portion is included in joint venture income as presented on Attachment 1 - Condensed Consolidated Operating Information. The Company's portion of income from disposition gains and other activity for the three and nine months ended September 30, 2018 was \$8,636, related to a disposition by the U.S. Fund. The Company's portion of income from disposition gains and other activity for the three and nine months ended September 30, 2017 was \$31,413 and \$40,110, respectively, related to dispositions by AvalonBay Value Added Fund II, L.P. ("Fund II") and the U.S. Fund.

(5) Represents the weighted average interest rate as of September 30, 2018.

(6) In October 2018, the AC JV LP sold Avalon Woodland Park in Herndon, VA.

(7) Borrowing is comprised of loans made by the equity investors in the venture in proportion to their equity interests.

(8) The Company completed the construction of AVA North Point on behalf of the venture during the three months ended September 30, 2018.

**AvalonBay Communities, Inc.**  
**Debt Structure and Select Debt Metrics**  
**September 30, 2018**  
(Dollars in thousands)  
(unaudited)

**DEBT COMPOSITION AND MATURITIES**

Debt Composition	Amount	Average Interest Rate (1)	Principal Amortization Payments and Maturities (2)			
			Year	Secured notes amortization and maturities	Unsecured notes maturities	Total
<b>Secured notes</b>			2018	\$ 1,638	\$ —	\$ 1,638
Fixed rate	\$ 534,629	3.8%	2019	118,546	—	118,546
Variable rate	813,163	3.4%	2020	143,112	650,000	793,112
Subtotal, secured notes	1,347,792	3.5%	2021	30,393	550,000	580,393
			2022	2,723	550,000	552,723
<b>Unsecured notes</b>			2023	2,899	600,000	602,899
Fixed rate	5,650,000	3.8%	2024	3,077	450,000	453,077
Variable rate	550,000	3.2%	2025	88,103	825,000	913,103
Subtotal, unsecured notes	6,200,000	3.8%	2026	3,485	775,000	778,485
			2027	188,074	400,000	588,074
Variable rate facility (3)	56,000	3.1%	Thereafter	765,742	1,400,000	2,165,742
<b>Total Debt</b>	<b>\$ 7,603,792</b>	<b>3.7%</b>		<b>\$ 1,347,792</b>	<b>\$ 6,200,000</b>	<b>\$ 7,547,792</b>

**SELECT DEBT METRICS (4)**

Net Debt-to-Core EBITDAre	4.9x	Interest Coverage	6.9x	Unencumbered NOI	90%	Weighted avg years to maturity of total debt (2)	10.0
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**DEBT COVENANT COMPLIANCE (4)**

Unsecured Line of Credit Covenants	September 30, 2018	Requirement
Total Outstanding Indebtedness to Capitalization Value (5)	28.9%	≤ 60%
Combined EBITDA to Combined Debt Service	5.98x	≥ 1.50x
Unsecured Indebtedness to Unencumbered Asset Value	23.6%	≤ 65%
Secured Indebtedness to Capitalization Value (5)	5.3%	≤ 40%
Unsecured Senior Notes Covenants (6)	September 30, 2018	Requirement
Total Outstanding Indebtedness to Total Assets (7)	33.3%	≤ 65%
Secured Indebtedness to Total Assets (7)	5.9%	≤ 40%
Unencumbered Assets to Unsecured Indebtedness	327.1%	≥ 150%
Consolidated Income Available for Debt Service to the Annual Service Charge	6.44x	≥ 1.50x

(1) Rates are as of September 30, 2018 and, for secured and unsecured notes, include costs of financing such as credit enhancement fees, trustees' fees, the impact of interest rate hedges and mark-to-market adjustments.

(2) Excludes the Company's unsecured credit facility and any associated issuance discount, mark-to-market discounts and deferred financing costs if applicable.

(3) Represents amounts outstanding at September 30, 2018 under the Company's \$1.5 billion unsecured credit facility.

(4) See Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

(5) Capitalization Value represents the Company's Combined EBITDA for operating communities that the Company has owned for at least 12 months as of September 30, 2018, capitalized at a rate of 6% per annum, plus the book value of Development Communities and real estate communities acquired. For discussion of other defined terms, see "Debt Covenant Compliance" in Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

(6) The information about the Company's unsecured senior notes covenants shows compliance with selected covenants under the Company's 1998 Indenture, under which debt securities are outstanding with maturity dates through 2047, subject to prepayment or redemption at the Company's election. See "Debt Covenant Compliance" in Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms. Different covenants apply to debt securities outstanding under the Company's 2018 Indenture.

(7) Total Assets represents the sum of the Company's undepreciated real estate assets and other assets, excluding accounts receivable. See "Debt Covenant Compliance" in Attachment 13 - Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.





**Attachment 13**

**AvalonBay Communities, Inc.**  
**Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms**  
**September 30, 2018**  
(unaudited)

*This release, including its attachments, contains certain non-GAAP financial measures and other terms. The definitions and calculations of these non-GAAP financial measures and other terms may differ from the definitions and methodologies used by other REITs and, accordingly, may not be comparable. The non-GAAP financial measures referred to below should not be considered an alternative to net income as an indication of our performance. In addition, these non-GAAP financial measures do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered as an alternative measure of liquidity or as indicative of cash available to fund cash needs.*

Asset Preservation Capex represents capital expenditures that will not directly result in increased revenue or expense savings.

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

Average Rental Rates are calculated by the Company as rental revenue in accordance with GAAP, divided by the weighted average number of occupied apartment homes.

Debt Covenant Compliance ratios for the Unsecured Line of Credit Covenants show the Company's compliance with selected covenants provided in the Company's Fourth Amended and Restated Revolving Loan Agreement dated as of January 14, 2016 and the Company's Term Loan Agreement dated February 28, 2017, which have been filed as exhibits to the Company's SEC reports. The ratios for the Unsecured Senior Notes Covenants show the Company's compliance with selected covenants provided in the Company's Indenture dated as of January 16, 1998, as supplemented by the First Supplemental Indenture dated as of January 20, 1998, Second Supplemental Indenture dated as of July 7, 1998, Amended and Restated Third Supplemental Indenture dated as of July 20, 2000, Fourth Supplemental Indenture dated as of September 18, 2006 and Fifth Supplemental Indenture dated as of November 21, 2014 (collectively, the "1998 Indenture"), which have been filed as exhibits to the Company's SEC reports. Different covenants apply to debt securities outstanding under the Company's Indenture dated as of February 23, 2018, as supplemented by the First Supplemental Indenture dated as of March 26, 2018 and the Second Supplemental Indenture dated as of May 29, 2018 (collectively, the "2018 Indenture"), which have been filed as exhibits to the Company's SEC reports.

The Debt Covenant Compliance ratios are provided only to show the Company's compliance with certain covenants contained in the Indenture governing its unsecured debt securities and in the Company's Credit Facility and Term Loans, as of the date reported. These ratios should not be used for any other purpose, including without limitation to evaluate the Company's financial condition or results of operations, nor do they indicate the Company's covenant compliance as of any other date or for any other period. The capitalized terms in the disclosure are defined in the Indenture or the Credit Facility and the Term Loans, and may differ materially from similar terms (a) used elsewhere in this release and the Attachments and (b) used by other companies that present information about their covenant compliance. For risks related to failure to comply with these covenants, see "Risk Factors – Risks related to indebtedness" and other risks discussed in the Company's Annual Report on Form 10-K and the Company's other reports filed with the SEC.

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

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### Attachment 13

Development Rights are development opportunities in the early phase of the development process for which the Company either has an option to acquire land or enter into a leasehold interest, for which the Company is the buyer under a long-term conditional contract to purchase land, where the Company controls the land through a ground lease or owns land to develop a new community, or where the Company is the designated developer in a public-private partnership. The Company capitalizes related pre-development costs incurred in pursuit of new developments for which the Company currently believes future development is probable.

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

Economic Gain (Loss) is calculated by the Company as the gain (loss) on sale in accordance with GAAP, less accumulated depreciation through the date of sale and any other non-cash adjustments that may be required under GAAP accounting. Management generally considers Economic Gain (Loss) to be an appropriate supplemental measure to gain (loss) on sale in accordance with GAAP because it helps investors to understand the relationship between the cash proceeds from a sale and the cash invested in the sold community. The Economic Gain (Loss) for disposed communities is based on their respective final settlement statements. A reconciliation of the aggregate Economic Gain (Loss) to the aggregate gain on sale in accordance with GAAP for the five wholly-owned operating communities disposed during the nine months ended September 30, 2018 is as follows (dollars in thousands):

TABLE 1	
	YTD 2018
GAAP Gain	\$ 132,381
Accumulated Depreciation and Other	(72,268)
Economic Gain (Loss)	\$ 60,113

Established Communities are consolidated communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had Stabilized Operations, as defined below, as of the beginning of the respective prior year period. Therefore, for 2018 operating results, Established Communities are consolidated communities that have Stabilized Operations as of January 1, 2017, are not conducting or planning to conduct substantial redevelopment activities and are not held for sale or planned for disposition within the current year.

EBITDA, EBITDAre and Core EBITDAre are considered by management to be supplemental measures of our financial performance. EBITDA is defined by the Company as net income or loss attributable to the Company before interest income and expense, income taxes, depreciation and amortization. EBITDAre is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), as EBITDA plus or minus losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property, with adjustments to reflect the Company's share of EBITDAre of unconsolidated entities. Core EBITDAre is the Company's EBITDAre as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of the Company's core business operations, Core EBITDAre can help one compare the core operating and financial performance of the Company between periods. A reconciliation of EBITDA, EBITDAre and Core EBITDAre to net income is as follows (dollars in thousands):

**Attachment 13**

**TABLE 2**

	Q3 2018	Q3 2017
Net income	\$ 192,407	\$ 238,199
Interest expense, net, inclusive of loss on extinguishment of debt, net	55,775	47,741
Income tax expense	29	24
Depreciation expense	156,538	144,990
EBITDA	<u>\$ 404,749</u>	<u>\$ 430,954</u>
Gain on sale of communities	(27,243)	(27,738)
Joint venture EBITDAre adjustments (1)	(5,358)	(27,885)
EBITDAre	<u>\$ 372,148</u>	<u>\$ 375,331</u>
(Gain) loss on other real estate transactions	(12)	120
Joint venture promote	—	(19,977)
Casualty and impairment gain	(554)	—
Lost NOI from casualty losses covered by business interruption insurance	—	2,375
Business interruption insurance proceeds	—	(3,495)
Advocacy contributions	843	—
Severance related costs	80	18
Development pursuit write-offs and expensed transaction costs, net	188	339
Asset management fee intangible write-off	218	274
Legal settlements	—	7
Core EBITDAre	<u>\$ 372,911</u>	<u>\$ 354,992</u>

(1) Includes joint venture interest, taxes, depreciation, gain on dispositions of depreciated real estate and impairment losses, if applicable, included in net income attributable to common stockholders.

FFO and Core FFO are considered by management to be supplemental measures of our operating and financial performance. FFO is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is calculated by the Company as Net income or loss attributable to common stockholders computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, cumulative effect of a change in accounting principle, impairment write-downs of depreciable real estate assets, write-downs of investments in affiliates which are driven by a decrease in the value of depreciable real estate assets held by the affiliate and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. By excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating and financial performance of a company's real estate between periods or as compared to different companies. Core FFO is the Company's FFO as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of our core business operations, Core FFO can help one compare the core operating and financial performance of the Company between periods. A reconciliation of Net income attributable to common stockholders to FFO and to Core FFO is as follows (dollars in thousands):

**Attachment 13**

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Net income attributable to common stockholders	\$ 192,486	\$ 238,248	\$ 588,791	\$ 639,348
Depreciation - real estate assets, including joint venture adjustments	156,204	144,409	470,976	426,494
Distributions to noncontrolling interests	11	11	33	32
Gain on sale of unconsolidated entities holding previously depreciated real estate	(8,636)	(31,413)	(8,636)	(40,110)
Gain on sale of previously depreciated real estate	(27,243)	(27,738)	(132,444)	(159,754)
FFO attributable to common stockholders	312,822	323,517	918,720	866,010
Adjusting items:				
Joint venture losses (1)	307	430	314	811
Joint venture promote (2)	—	(19,977)	(925)	(26,742)
Impairment loss on real estate (3)(5)	—	—	—	9,350
Casualty (gain) loss, net on real estate (4)(5)	(554)	—	(612)	2,338
Business interruption insurance proceeds (6)	—	(3,495)	—	(3,495)
Lost NOI from casualty losses covered by business interruption insurance (7)	—	2,375	1,730	6,242
Loss on extinguishment of consolidated debt	1,678	—	2,717	24,162
Advocacy contributions	843	—	1,449	—
Hedge ineffectiveness	—	—	—	(753)
Severance related costs	80	18	582	153
Development pursuit write-offs and expensed transaction costs, net	188	339	758	1,174
(Gain) loss on other real estate transactions	(12)	120	(335)	(246)
Legal settlements	—	7	367	91
Core FFO attributable to common stockholders	\$ 315,352	\$ 303,334	\$ 924,765	\$ 879,095
Average shares outstanding - diluted	138,323,064	138,307,046	138,230,724	138,006,192
Earnings per share - diluted	\$ 1.39	\$ 1.72	\$ 4.26	\$ 4.63
FFO per common share - diluted	\$ 2.26	\$ 2.34	\$ 6.65	\$ 6.28
Core FFO per common share - diluted	\$ 2.28	\$ 2.19	\$ 6.69	\$ 6.37

(1) Amounts for 2017 and 2018 are primarily composed of (i) the Company's portion of yield maintenance charges incurred for the early repayment of debt associated with joint venture disposition activity and (ii) the write-off of asset management fee intangibles primarily associated with the disposition of communities in the U.S. Fund.

(2) Represents the Company's promoted interest in Fund II.

(3) Amount for YTD 2017 includes an impairment charge for a land parcel the Company had acquired for development and sold in July 2017.

(4) Amounts for 2018 include \$554 in legal settlement proceeds for construction defects at a community acquired as part of the Archstone acquisition. Amount for YTD 2017 includes \$19,481 for the Maplewood casualty loss, partially offset by \$17,143 of property damage insurance proceeds.

(5) Aggregate impact of (i) Impairment loss on real estate and (ii) Casualty (gain) loss, net on real estate, is a gain of \$554 and \$612 for Q3 2018 and YTD 2018, respectively, and a loss of \$11,688 for YTD 2017 as shown on Attachment 1 - Condensed Consolidated Operating Information.

(6) Amounts for 2017 are composed of business interruption insurance proceeds resulting from the final insurance settlement of the Maplewood casualty loss.

(7) Amounts for 2018 are for the Maplewood casualty loss in Q1 2017, for which the Company recognized \$3,495 in business interruption insurance proceeds in Q3 2017. Amounts for 2017 are for a casualty event at Avalon at Edgewater ("Edgewater") in Q1 2015, for which the Company received \$20,306 in business interruption insurance proceeds in Q1 2016, and amounts related to the Maplewood casualty loss.

### Attachment 13

Initial Year Market Cap Rate is defined by the Company as Projected NOI of a single community for the first 12 months of operations (assuming no repositioning), less estimates for non-routine allowance of approximately \$300 - \$500 per apartment home, divided by the gross sales price for the community. Projected NOI, as referred to above, represents management's estimate of projected rental revenue minus projected operating expenses before interest, income taxes (if any), depreciation and amortization. For this purpose, management's projection of operating expenses for the community includes a management fee of 2.5% - 3.5%. The Initial Year Market Cap Rate, which may be determined in a different manner by others, is a measure frequently used in the real estate industry when determining the appropriate purchase price for a property or estimating the value for a property. Buyers may assign different Initial Year Market Cap Rates to different communities when determining the appropriate value because they (i) may project different rates of change in operating expenses and capital expenditure estimates and (ii) may project different rates of change in future rental revenue due to different estimates for changes in rent and occupancy levels. The weighted average Initial Year Market Cap Rate is weighted based on the gross sales price of each community.

Interest Coverage is calculated by the Company as Core EBITDAre, divided by the sum of interest expense, net, and preferred dividends, if applicable. Interest Coverage is presented by the Company because it provides rating agencies and investors an additional means of comparing our ability to service debt obligations to that of other companies. A calculation of Interest Coverage for the three months ended September 30, 2018 is as follows (dollars in thousands):

TABLE 4	
Core EBITDAre	\$ 372,911
Interest expense, net	\$ 54,097
Interest Coverage	6.9 times

Like-Term Effective Rent Change represents the percentage change in effective rent between two leases of the same lease term category for the same apartment. The Company defines effective rent as the contractual rent for an apartment less amortized concessions and discounts. Average Like-Term Effective Rent Change is weighted based on the number of leases meeting the criteria for new move-in and renewal like-term effective rent change. New move-in like-term effective rent change is the change in effective rent between the contractual rent for a resident who moves out of an apartment, and the contractual rent for a resident who moves into the same apartment with the same lease term category. Renewal like-term effective rent change is the change in effective rent between two consecutive leases of the same lease term category for the same resident occupying the same apartment.

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

Net Debt-to-Core EBITDAre is calculated by the Company as total debt that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized third quarter 2018 Core EBITDAre, as adjusted. A calculation of Net Debt-to-Core EBITDAre is as follows (dollars in thousands):

TABLE 5	
Total debt principal (1)	\$ 7,603,792
Cash and cash in escrow	(281,591)
Net debt	\$ 7,322,201
Core EBITDAre	\$ 372,911
Core EBITDAre, annualized	\$ 1,491,644
Net Debt-to-Core EBITDAre	4.9 times

(1) Balance at September 30, 2018 excludes \$10,293 of debt discount and \$35,762 of deferred financing costs as reflected in unsecured notes, net, and \$14,618 of debt discount and \$9,891 of deferred financing costs as reflected in notes payable on the Condensed Consolidated Balance Sheets.

## Attachment 13

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, net, loss (gain) on extinguishment of debt, net, general and administrative expense, joint venture income, depreciation expense, corporate income tax expense, casualty and impairment loss (gain), net, gain on sale of communities, loss (gain) on other real estate transactions and net operating income from real estate assets sold or held for sale. The Company considers NOI to be an important and appropriate supplemental performance measure to Net Income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level property management overhead or financing-related costs. NOI reflects the operating performance of a community, and allows for an easier comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impact to overhead as a result of acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets.

A reconciliation of NOI to Net Income, as well as a breakdown of NOI by operating segment, is as follows (dollars in thousands):

	Q3 2018	Q3 2017	Q2 2018	Q1 2018	Q4 2017	YTD 2018	YTD 2017
Net income	\$ 192,407	\$ 238,199	\$ 254,543	\$ 141,590	\$ 237,486	\$ 588,540	\$ 639,174
Indirect operating expenses, net of corporate income	18,855	15,752	18,913	18,082	16,926	55,850	48,472
Investments and investment management expense	1,726	1,501	1,529	1,643	1,659	4,898	4,277
Expensed transaction, development and other pursuit costs, net of recoveries	1,020	789	889	800	649	2,709	2,087
Interest expense, net	54,097	47,741	56,585	55,113	52,523	165,795	147,138
Loss on extinguishment of debt, net	1,678	—	642	397	1,310	2,717	24,162
General and administrative expense	13,934	11,679	14,502	13,664	11,904	42,100	38,910
Joint venture income	(10,031)	(52,568)	(789)	(1,740)	(358)	(12,560)	(70,386)
Depreciation expense	156,538	144,990	156,685	159,059	157,100	472,282	427,050
Casualty and impairment (gain) loss, net	(554)	—	—	(58)	(5,438)	(612)	11,688
Gain on sale of communities	(27,243)	(27,738)	(105,201)	—	(92,845)	(132,444)	(159,754)
(Gain) loss on other real estate transactions	(12)	120	(370)	47	11,153	(335)	(246)
NOI from real estate assets sold or held for sale	(2,545)	(10,340)	(6,167)	(7,201)	(8,539)	(15,913)	(35,162)
NOI	\$ 399,870	\$ 370,125	\$ 391,761	\$ 381,396	\$ 383,530	\$ 1,173,027	\$ 1,077,410
Established:							
New England	\$ 40,005	\$ 38,635	\$ 38,864	\$ 38,138	\$ 39,092	\$ 117,008	\$ 113,423
Metro NY/NJ	74,562	71,864	72,913	71,921	74,274	219,396	215,187
Mid-Atlantic	41,432	40,020	41,162	40,462	41,360	123,056	120,186
Pacific NW	15,681	15,692	15,234	14,838	16,073	45,753	45,632
No. California	70,465	68,731	70,342	69,059	68,772	209,866	205,168
So. California	60,931	59,013	61,511	60,433	60,470	182,875	177,326
Total Established	303,076	293,955	300,026	294,851	300,041	897,954	876,922
Other Stabilized	45,196	34,746	44,588	42,714	41,945	132,498	88,946
Redevelopment	36,676	35,324	35,190	34,335	35,137	106,200	106,051
Development (1)	14,922	6,100	11,957	9,496	6,407	36,375	5,491
NOI	\$ 399,870	\$ 370,125	\$ 391,761	\$ 381,396	\$ 383,530	\$ 1,173,027	\$ 1,077,410

(1) Development NOI for Q3 and YTD 2017 includes \$3,495 of business interruption insurance proceeds related to the Maplewood casualty loss.

NOI as reported by the Company does not include the operating results from assets sold or classified as held for sale. A reconciliation of NOI from communities sold or classified as held for sale is as follows (dollars in thousands):

**Attachment 13**

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue from real estate assets sold or held for sale	\$ 4,006	\$ 16,280	\$ 24,747	\$ 54,803
Operating expenses from real estate assets sold or held for sale	(1,461)	(5,940)	(8,834)	(19,641)
NOI from real estate assets sold or held for sale	\$ 2,545	\$ 10,340	\$ 15,913	\$ 35,162

NOI Enhancing Capex represents capital expenditures that the Company expects will directly result in increased revenue or expense savings, and excludes any capital expenditures for Redevelopment Communities.

Other Stabilized Communities are completed consolidated communities that the Company owns, which have Stabilized Operations as of January 1, 2018. Other Stabilized Communities do not include communities that are conducting or planning to conduct substantial redevelopment activities.

Projected FFO and Projected Core FFO, as provided within this release in the Company's outlook, are calculated on a basis consistent with historical FFO and Core FFO, and are therefore considered to be appropriate supplemental measures to projected Net Income from projected operating performance. A reconciliation of the ranges provided for Projected FFO per share (diluted) for the fourth quarter and full year 2018 to the ranges provided for projected EPS (diluted) and corresponding reconciliation of the ranges for Projected FFO per share to the ranges for Projected Core FFO per share are as follows:

	Low Range	High Range
Projected EPS (diluted) - Q4 2018	\$ 2.82	\$ 2.90
Depreciation (real estate related)	1.17	1.09
Gain on sale of communities	(1.82)	(1.74)
Projected FFO per share (diluted) - Q4 2018	2.17	2.25
Joint venture promote and other income, development pursuit and other write-offs	0.01	0.01
Advocacy contributions	0.02	0.02
Loss on extinguishment of consolidated debt	0.07	0.07
Projected Core FFO per share (diluted) - Q4 2018	\$ 2.27	\$ 2.35
Projected EPS (diluted) - Full Year 2018	\$ 7.08	\$ 7.16
Depreciation (real estate related)	4.49	4.57
Gain on sale of communities	(2.76)	(2.84)
Projected FFO per share (diluted) - Full Year 2018	8.81	8.89
Joint venture promote and other income, development pursuit and other write-offs	0.02	0.02
Lost NOI from casualty losses covered by business interruption insurance	0.01	0.01
Advocacy contributions	0.03	0.03
Loss on extinguishment of consolidated debt	0.09	0.09
Projected Core FFO per share (diluted) - Full Year 2018	\$ 8.96	\$ 9.04



## Attachment 13

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

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

Projected Stabilized Yield (also expressed as "weighted average initial stabilized yield" or words of similar meaning) means Projected NOI as a percentage of Total Capital Cost.

Redevelopment Communities are consolidated communities where substantial redevelopment is in progress or is planned to begin during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort is expected to exceed the lesser of \$5,000,000 or 10% of the community's pre-redevelopment basis and is expected to have a material impact on the operations of the community, including occupancy levels and future rental rates.

Redevelopment Communities include 14 communities containing 6,242 apartment homes that are currently under active redevelopment as of September 30, 2018, with an expected Total Capital Cost of \$313,000,000, of which \$147,000,000 is remaining to invest. In addition, during 2017, the Company commenced the reconstruction of the building that was destroyed in the Edgewater casualty loss in 2015. Upon completion, the new Edgewater building is expected to contain 240 apartment homes and be reconstructed for \$60,000,000 excluding costs incurred prior to the start of reconstruction. The new Edgewater building's 240 apartment homes are currently excluded from the Company's home count and per home and occupancy metrics in this release, and will be included in the Company's home count upon completion.

Rental Revenue with Concessions on a Cash Basis is considered by the Company to be a supplemental measure to rental revenue in conformity with GAAP to help investors evaluate the impact of both current and historical concessions on GAAP-based rental revenue and to more readily enable comparisons to revenue as reported by other companies. In addition, Rental Revenue with Concessions on a Cash Basis allows an investor to understand the historical trend in cash concessions.

A reconciliation of rental revenue from Established Communities in conformity with GAAP to Rental Revenue with Concessions on a Cash Basis is as follows (dollars in thousands):

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**Attachment 13**

TABLE 9				
	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Rental revenue (GAAP basis)	\$ 426,849	\$ 417,168	\$ 1,265,546	\$ 1,235,823
Concessions amortized	278	864	959	3,942
Concessions granted	(126)	(282)	(683)	(1,335)
<b>Rental Revenue with Concessions</b>				
on a Cash Basis	\$ 427,001	\$ 417,750	\$ 1,265,822	\$ 1,238,430
% change -- GAAP revenue		2.3%		2.4%
% change -- cash revenue		2.2%		2.2%

Stabilized Operations/Restabilized Operations is defined as the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.

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

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by outstanding secured debt as of September 30, 2018 as a percentage of total NOI generated by real estate assets. The Company believes that current and prospective unsecured creditors of the Company view Unencumbered NOI as one indication of the borrowing capacity of the Company. Therefore, when reviewed together with the Company's Interest Coverage, EBITDA and cash flow from operations, the Company believes that investors and creditors view Unencumbered NOI as a useful supplemental measure for determining the financial flexibility of an entity. A calculation of Unencumbered NOI for the nine months ended September 30, 2018 is as follows (dollars in thousands):

TABLE 10	
	Year to Date NOI
NOI for Established Communities	\$ 897,954
NOI for Other Stabilized Communities	132,498
NOI for Redevelopment Communities	106,200
NOI for Development Communities	36,375
NOI from real estate assets sold or held for sale	15,913
Total NOI generated by real estate assets	1,188,940
NOI on encumbered assets	121,015
NOI on unencumbered assets	\$ 1,067,925
Unencumbered NOI	90%