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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): July 24, 2009

**AVALONBAY COMMUNITIES, INC.**

*(Exact name of registrant as specified in its charter)*

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Commission file number 1-12672

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

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

2900 Eisenhower Avenue, Suite 300  
Alexandria, Virginia 22314  
*(Address of principal executive offices)(Zip code)*

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

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

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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))
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Item 2.02. Results of Operations and Financial Condition.

On July 29, 2009, AvalonBay Communities, Inc. (the "Company") issued a press release announcing its financial results for the second quarter 2009. 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 2.06 Material Impairments.

On July 29, 2009, the Company disclosed in its press release announcing its financial results for the second quarter of 2009 that its results of operations for the second quarter included charges for impairments to the value of land holdings, charges for abandoned pursuit costs for land not owned but under option, and severance charges related to planned overhead reductions, as further discussed below:

- **Impairment Charges:** The Company incurred a non-cash charge of approximately \$20.3 million for impairment in value of two land parcels it previously acquired with a view to development. The Company no longer believes that it is probable that it will develop these land parcels. The impairment charge is the difference between the estimated fair value and the current capitalized carrying value.
- **Abandoned Pursuit Charges:** The Company incurred a non-cash charge of approximately \$2 million for previously capitalized costs primarily related to two specific development rights for land under option agreements that will not proceed to development.
- **Severance Costs:** The Company incurred a charge of approximately \$2 million for severance and related costs associated with overhead reductions as the Company takes steps to reduce the size of the organization needed to support a lower level of new development and in consideration of general economic conditions.

The decision to not proceed with development of the identified land parcels and development rights was approved by a committee of the Company's Board of Directors on July 24, 2009. The charges are not currently expected to result in additional material future cash expenditures.

For additional information concerning the impairment and related charges and other matters discussed above, refer to Exhibits 99.1 and 99.2 attached to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of AvalonBay Communities, Inc. dated July 29, 2009, including Attachments.
99.2	Supplemental discussion of second quarter 2009 operating results (the "Full Release") dated July 29, 2009, 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: July 29, 2009

By: /s/ Thomas J. Sargeant

Thomas J. Sargeant  
Chief Financial Officer

Exhibit Index

- 99.1 Press Release of AvalonBay Communities, Inc. dated July 29, 2009, including Attachments.
- 99.2 Supplemental discussion of second quarter 2009 operating results (the "Full Release") dated July 29, 2009, including Attachments.



P R E S S   R E L E A S E

For Immediate News Release  
July 29, 2009

**AVALONBAY COMMUNITIES, INC. ANNOUNCES  
SECOND QUARTER 2009 OPERATING RESULTS**

(Alexandria, VA) AvalonBay Communities, Inc. (NYSE: AVB) reported today that Net Income Attributable to Common Stockholders ("Net Income") for the quarter ended June 30, 2009 was \$17,674,000. This resulted in Earnings per Share — diluted ("EPS") of \$0.22 for the quarter ended June 30, 2009, compared to EPS of \$1.61 for the comparable period of 2008, a decrease of 86.3%. For the six months ended June 30, 2009, EPS was \$0.82 compared to \$2.21 for the comparable period of 2008, a per share decrease of 62.9%. The decreases are attributable to gains from asset sales in 2008 not present in 2009, coupled with an impairment recognized in the second quarter of 2009 for land parcels which the Company no longer intends to develop.

Funds from Operations attributable to common stockholders — diluted ("FFO") for the quarter ended June 30, 2009 decreased 28.6% to \$0.90 per share from \$1.26 per share for the comparable period of 2008. FFO per share for the six months ended June 30, 2009 decreased by 13.6% to \$2.16 from \$2.50 for the comparable period of 2008.

FFO and Net Income for the three months ended June 30, 2009 include the following non-routine items:

- A non-cash charge of \$0.28 per share related to the impairment and abandonment of certain Development Rights the Company no longer plans to pursue;
- A charge of \$0.03 per share for severance associated with staff reductions due to a further reduction in the Company's planned development activity as well as general economic conditions; partially offset by
- Proceeds of \$0.03 per share from legal settlements.

Adjusting for these non-routine items, FFO per share would have decreased by 6.3% for the second quarter of 2009 as compared to the prior year period.

In addition to the items discussed above, FFO and Net Income for the six months ended June 30, 2009 also include the following non-routine items:

- incremental earnings of \$0.05 per share due primarily to the recognition of the Company's promoted interest in a joint venture; and
- a gain of \$0.01 per share from purchasing medium-term notes at a discount prior to the scheduled maturity.

Adjusting for these additional non-routine items and the non-routine items in the second quarter, FFO per share for the six months ended June 30, 2009 would have decreased by 4.8% from the prior year period.

In addition, the period-over-period per share results are adversely impacted by the 2,627,000 additional shares issued in January 2009 as part of the special dividend declared in the fourth quarter of 2008.

Commenting on the Company's results, Bryce Blair, Chairman and CEO, said "We expect the weak economy and continued job losses will pressure apartment fundamentals through 2009 and into 2010. We are taking the necessary actions to ensure our balance sheet and organization are well positioned to weather near-term challenges and to pursue future opportunities."

**Operating Results for the Quarter Ended June 30, 2009 Compared to the Prior Year Period**

*For the Company*, including discontinued operations, total revenue increased by \$328,000, or 0.1% to \$222,144,000. *For Established Communities*, rental revenue decreased 2.8% due to a decrease in Economic Occupancy of 0.9% and a decrease in Average Rental Rates of 1.9%. As a result, total revenue for Established Communities decreased

\$4,447,000 to \$156,588,000. Operating expenses for Established Communities increased \$1,681,000, or 3.4% to \$51,477,000. Accordingly, Net Operating Income ("NOI") for Established Communities decreased by \$6,128,000, or 5.5% to \$105,111,000.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities from the second quarter of 2008 to the second quarter of 2009:

2Q 09 Compared to 2Q 08				
	Rental Revenue	Operating Expenses	NOI	% of NOI (1)
New England	(3.2%)	6.7%	(8.3%)	19.9%
Metro NY/NJ	(3.2%)	(2.3%)	(3.5%)	28.2%
Mid-Atlantic/Midwest	(1.0%)	4.1%	(3.8%)	16.6%
Pacific NW	(2.8%)	7.6%	(6.8%)	4.7%
No. California	(2.7%)	4.4%	(5.1%)	20.0%
So. California	(4.5%)	6.4%	(8.6%)	10.6%
Total	(2.8%)	3.4%	(5.5%)	100.0%

(1) Total represents each region's % of total NOI from the Company, including discontinued operations.

*Cash concessions* are recognized in accordance with generally accepted accounting principles ("GAAP") and are amortized over the approximate lease term, which is generally one year. The following table reflects the percentage changes in rental revenue with concessions on a GAAP basis and Rental Revenue with Concessions on a Cash Basis for our Established Communities:

2Q 09 vs 2Q 08	
Rental Revenue Change with Concessions on a GAAP Basis	(2.8%)
Rental Revenue Change with Concessions on a Cash Basis	(2.5%)

#### Operating Results for the Six Months Ended June 30, 2009 Compared to the Prior Year Period

For the Company, including discontinued operations, total revenue increased by \$3,820,000, or 0.9% to \$441,823,000. For Established Communities, rental revenue decreased 1.7%, comprised of a decrease in Average Rental Rates of 0.7% and a decrease in Economic Occupancy of 1.0%. As a result, total revenue for Established Communities decreased \$5,501,000 to \$314,667,000, and operating expenses for Established Communities increased \$2,879,000 or 2.9% to \$103,523,000. Accordingly, NOI for Established Communities decreased by \$8,380,000, or 3.8% to \$211,144,000.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008:

YTD 2009 Compared to YTD 2008				
	Rental Revenue	Operating Expenses	NOI	% of NOI (1)
New England	(2.7%)	2.7%	(5.6%)	19.7%
Metro NY/NJ	(2.4%)	1.1%	(3.8%)	27.2%
Mid-Atlantic/Midwest	(0.1%)	3.7%	(2.2%)	16.7%
Pacific NW	(1.1%)	4.2%	(3.3%)	4.8%
No. California	(0.5%)	3.0%	(1.7%)	20.7%
So. California	(3.6%)	5.6%	(7.1%)	10.9%
Total	(1.7%)	2.9%	(3.8%)	100.0%

(1) Total represents each region's % of total NOI from the Company, including discontinued operations.

#### Development Activity

The Company has not started any new development activity during 2009. For the six months ended June 30, 2009, the Company completed the development of two communities: Avalon Morningside Park, located in New York, NY and Avalon at the Hingham Shipyard, located in Hingham, MA. These communities contain an aggregate 530 apartment homes and were completed for an aggregate Total Capital Cost of \$172,500,000.

#### Redevelopment Activity

During the second quarter of 2009, the Company completed the redevelopment of Essex Place, located in Peabody, MA and Avalon Mountain View, located in Mountain View, CA. These two communities contain an aggregate of 534 apartment homes and redevelopment was completed for a Total Capital Cost of \$18,600,000, excluding costs incurred prior to redevelopment.

During the second quarter of 2009, the Company commenced the redevelopment of two communities: Avalon Pleasanton, located in Pleasanton, CA and Avalon Watch, located in West Windsor, NJ. These two communities contain an aggregate of 968 apartment homes and will be redeveloped for an estimated Total Capital Cost of \$38,300,000, excluding costs incurred prior to redevelopment.

#### Investment Management Fund Activity

The Company currently has investments in and serves as the manager for two private, discretionary investment management vehicles.

AvalonBay Value Added Fund, L.P. (the "Fund") is a private, discretionary investment vehicle in which the Company holds an equity interest of approximately 15%.

AvalonBay Value Added Fund II, L.P. ("Fund II") is a private, discretionary investment vehicle with



commitments from five institutional investors and the Company.

In April 2009, the Company announced the second and final closing of Fund II. In this closing, total equity commitments to Fund II increased by \$67,000,000 as a result of the following:

- a new institutional investor made an equity commitment of \$75,000,000;
- an existing institutional investor increased its commitment by \$17,000,000, based on terms of its existing commitment; and
- the Company decreased its commitment by \$25,000,000, based on terms of its existing commitment, decreasing the Company's equity interest to approximately 31%.

With the final closing, Fund II equity commitments total \$400,000,000 (including the Company's \$125,000,000 commitment). Fund II can employ leverage of up to 65%, allowing for an investment capacity of approximately \$1,100,000,000.

In May 2009, Fund II purchased Verona Apartments, located in Bellevue, WA. Verona Apartments contains 220 homes and was acquired for a purchase price of \$33,100,000, or approximately \$150,000 per apartment home.

### **Financing, Liquidity and Balance Sheet Statistics**

At June 30, 2009, the Company had no amounts outstanding under its \$1,000,000,000 unsecured credit facility and the Company had \$456,064,000 in unrestricted cash and cash in escrow. The cash in escrow is available for development activity and includes \$93,440,000 in bond proceeds related to an existing Development Right that the Company expects to develop in the future. Unencumbered NOI as a percentage of total NOI generated by real estate assets for the second quarter of 2009 was 65%. Interest Coverage for the six months ended June 30, 2009 was 2.9 times.

#### *New Financing Activity*

In April 2009, the Company completed a 5.86% fixed rate, pooled secured loan for \$741,140,000. The financing consists of fourteen separate mortgage loans each with a 10-year term. Each loan provides for payment of interest only during the first and second years of the loan term, with payment of principal and interest (based on a 30 year amortization schedule) thereafter and the remaining principal amount and any unpaid interest due at maturity on the tenth anniversary.

#### *Debt Repayment Activity*

In May 2009, the Company repaid \$19,470,000 in variable rate debt secured by Avalon at Flanders Hill, located in Westborough, MA.

Also in May 2009, the Company repaid \$105,600,000 in unsecured debt, representing the first tranche of its \$330,000,000 unsecured variable rate term loan, pursuant to its scheduled maturity.

### **Third Quarter and Full Year 2009 Financial Outlook**

The Company uses a composite of third party economic forecasts to develop operating and financial plans, with a particular focus on employment forecasts. Changes in employment conditions have a significant impact on overall demand for rental housing and are highly correlated to changes in revenue growth.

During the first six months of 2009, actual job losses materially exceeded those contained in the economic forecasts used by the Company to prepare its initial 2009 financial outlook. Actual job losses nationwide through June 2009 totaled 3.2 million, a 70% increase over assumptions incorporated into the Company's February 2009 outlook. A composite of third party economic forecasts now projects a year-over-year decline in nationwide employment of 5.4 million jobs for 2009 with unemployment peaking between 10.5% to 11.0% by mid-2010.

Based on these revised employment projections, revenue from Established Communities is anticipated to decline by 3.5% to 4.5% for 2009. This compares to the 1.5% to 3.5% decline incorporated into the original financial outlook in February 2009. The Company now expects a decline in Established Communities NOI within a range of 6.0% to 8.0%. Changes in these key operating metrics translate into a revised EPS and FFO per share range as follows:

- Earnings per Share: \$2.70 to \$2.85
- Projected FFO per share: \$4.15 to \$4.30
- Projected FFO per share growth (at the midpoint of the updated outlook range): 3.7%
- Projected FFO per share decline, as adjusted for non-routine items in 2008 and 2009: 10.6%

In addition, The Company has expanded its disposition plan for the remainder of 2009 and now expects full year gross sales proceeds from planned asset dispositions to range from \$200,000,000 to \$300,000,000.

An analysis of the revised 2009 financial outlook compared to the initial 2009 financial outlook provided in February follows:

2009 Financial Outlook As of July 2009 Changes From February 2009	
	Per Share
<b>FFO (February 2009 Outlook)</b>	<b>\$ 4.65</b>
NOI & other income	(0.16)
Partial cessation of capitalized interest (1)	(0.04)
G&A reductions, net	0.05
Impairments & abandoned pursuits	(0.28)
<b>FFO (July 2009 Outlook)</b>	<b>4.22</b>

(1) For Development Rights abandoned or not actively under development.

The Company's 2008 FFO per share of \$4.07 included non-recurring items discussed in its fourth quarter and full year 2008 operating results released in February 2009. The 2009 Projected FFO includes the non-recurring items discussed on page one of this release, as well as an estimated charge for additional federal excise taxes for undistributed earnings of approximately \$3,200,000. Adjusting for these non-routine items in both years, the Company expects 2009 Projected FFO per share to decline by 10.6% at the mid-point of the range. FFO per share is also adversely impacted by the additional shares from the dividend declared during the fourth quarter of 2008.

For the third quarter of 2009, the Company expects Projected EPS within a range of \$0.48 to \$0.52. The Company expects Projected FFO per share for the third quarter of 2009 within a range of \$1.07 to \$1.11.

### Third Quarter 2009 Conference/Event Schedule

The Company expects to release its third quarter 2009 earnings on October 28, 2009 after the market closes. The Company expects to hold a conference call on October 29, 2009 at 1:00 PM EDT to discuss the third quarter 2009 results.

The Company is tentatively scheduled to participate in the following conferences during the third quarter of 2009:

3Q 2009 Conference Schedule	
Event/Conference	Date
BMO Capital Markets 2009 North American Real Estate Conference	Sept 9 – 11
Zelman & Associates 2009 Housing Summit	Sept 21 – 23
Bank of America Merrill Lynch 2009 Global Real Estate Conference	Sept 30 – Oct 1

Management may discuss the Company's current operating environment; operating trends; development, redevelopment, disposition and acquisition activity; financial outlook and other business and financial matters affecting the Company. Details on each conference will be available beginning August 1, 2009 on the Company's website at <http://www.avalonbay.com/events>.

### Other Matters

The Company will hold a conference call on July 30, 2009 at 1:00 PM EDT to review and answer questions about this release, its second quarter results, the Attachments (described below) and related matters. To participate on the call, dial 1-877-510-2397 domestically and 1-763-416-6924 internationally.

To hear a replay of the call, which will be available from July 30, 2009 at 2:00 PM EDT to August 6, 2009 at 11:59 PM EDT, dial 1-800-642-1687 domestically and 1-706-645-9291 internationally, and use Access Code: 17102108.

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 30 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>.

### About AvalonBay Communities, Inc.

As of June 30, 2009, the Company owned or held a direct or indirect ownership interest in 174 apartment communities containing 50,511 apartment homes in ten states and the District of Columbia, of which 12 communities were under construction and seven communities were under reconstruction. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in high barrier to entry markets of the United States. More information may be found on the Company's website at <http://www.avalonbay.com>. For additional information, please contact John Christie, Senior Director of Investor Relations and Research at 1-703-317-4747 or Thomas J. Sargeant, Chief Financial Officer at 1-703-317-4635.

### 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. You can identify these forward-looking statements by the Company's use of words such as "expects," "plans," "estimates," "projects,"

"intends," "believes," "outlook" and similar expressions that do not relate to historical matters. Actual results may differ materially from those expressed or implied by the forward-looking statements as a result of risks and uncertainties, which include the following: 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; 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; increases in costs of materials, labor or other expenses may result in communities that we develop or redevelop failing to achieve expected profitability; or 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. Additional discussions of risks and uncertainties appear in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 under the headings "Risk Factors" and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" and in subsequent quarterly reports on Form 10-Q.

The Company does not undertake a duty to update forward-looking statements, including its expected operating results for the third quarter and full year 2009. 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 14, "Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms." Attachment 14 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:

FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is calculated by the Company as Net Income or loss computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, extraordinary gains or losses (as defined by GAAP), cumulative effect of a change in accounting principle and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. Management generally considers FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. A reconciliation of FFO to Net Income is as follows (dollars in thousands):

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Net income attributable to the Company	\$ 17,674	\$ 127,334	\$ 65,099	\$ 175,783
Dividends attributable to preferred stock	—	(2,175)	—	(4,350)
Depreciation — real estate assets, including discontinued operations and joint venture adjustments	54,126	50,258	107,651	100,044
Distributions to noncontrolling interests, including discontinued operations	14	57	39	114
Gain on sale of unconsolidated entities holding previously depreciated real estate assets	—	(3,483)	—	(3,483)
Gain on sale of previously depreciated real estate assets	—	(74,139)	—	(74,139)
<b>FFO attributable to common stockholders</b>	<b>\$ 71,814</b>	<b>\$ 97,852</b>	<b>\$ 172,789</b>	<b>\$ 193,969</b>
Average shares outstanding — diluted	80,042,294	77,578,617	79,898,287	77,484,723
Earnings per share — diluted	\$ 0.22	\$ 1.61	\$ 0.82	\$ 2.21
FFO per common share — diluted	\$ 0.90	\$ 1.26	\$ 2.16	\$ 2.50

Projected FFO, as provided within this release in the Company's outlook, is calculated on a basis consistent with historical FFO, and is therefore considered to be an appropriate supplemental measure to projected net income from projected operating performance. A reconciliation of the range provided for Projected FFO per share (diluted) for the third quarter and full year 2009 to the range provided for projected EPS (diluted) is as follows:

	Low range	High range
Projected EPS (diluted) — Q3 09	\$ 0.48	\$ 0.52
Projected depreciation (real estate related)	0.70	0.74
Projected gain on sale of operating communities	(0.11)	(0.15)
Projected FFO per share (diluted) — Q3 09	<u>\$ 1.07</u>	<u>\$ 1.11</u>
Projected EPS (diluted) — Full Year 2009	\$ 2.70	\$ 2.85
Projected depreciation (real estate related)	2.74	2.89
Projected gain on sale of operating communities	(1.29)	(1.44)
Projected FFO per share (diluted) — Full Year 2009	<u>\$ 4.15</u>	<u>\$ 4.30</u>

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excludes corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed development and other pursuit costs, net interest expense, general and administrative expense, joint venture income, net income or expense attributable to noncontrolling interests, depreciation expense, gain on sale of real estate assets and income from discontinued operations. The Company considers NOI to be an appropriate supplemental measure to net income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of corporate-level property management overhead or general and administrative costs. This is more reflective of the operating performance of a community, and allows for an easier comparison of the operating performance of single assets or groups of assets. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets.

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

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Net income attributable to the Company	\$ 17,674	\$127,334	\$ 65,099	\$175,783
Indirect operating expenses, net of corporate income	7,362	8,893	15,936	17,350
Investments and investment management expense	907	1,195	1,822	2,414
Expensed development and other pursuit costs	2,281	1,829	3,375	2,329
Interest expense, net	37,385	29,598	66,631	57,258
General and administrative expense	5,390	9,383	12,637	17,503
Joint venture income	(492)	(3,800)	(3,949)	(3,833)
Net income (expense) attributable to redeemable noncontrolling interests	(951)	105	(1,275)	210
Depreciation expense	53,737	47,648	106,377	93,589
Impairment loss	20,302	—	20,302	—
Gain on sale of real estate assets	—	(74,139)	—	(74,139)
Income from discontinued operations	—	(5,101)	—	(9,921)
<b>NOI from continuing operations</b>	<b>\$143,595</b>	<b>\$142,945</b>	<b>\$286,955</b>	<b>\$278,543</b>
Established:				
New England	\$ 20,575	\$ 22,428	\$ 40,993	\$ 43,428
Metro NY/NJ	29,199	30,259	57,270	59,549
Mid-Atlantic/Midwest	20,533	21,346	41,219	42,160
Pacific NW	4,959	5,324	10,173	10,516
No. California	18,939	19,953	39,237	39,923
So. California	10,906	11,929	22,252	23,948
<b>Total Established</b>	<b>105,111</b>	<b>111,239</b>	<b>211,144</b>	<b>219,524</b>
Other Stabilized	21,543	17,026	42,715	29,103
Development/Redevelopment	16,941	14,680	33,096	29,916
<b>NOI from continuing operations</b>	<b>\$143,595</b>	<b>\$142,945</b>	<b>\$286,955</b>	<b>\$278,543</b>

NOI as reported by the Company does not include the operating results from discontinued operations (i.e., assets sold during the period January 1, 2008 through June 30, 2009). A reconciliation of NOI from communities sold or classified as discontinued operations to net income for these communities is as follows (dollars in thousands):

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Income from discontinued operations	\$ —	\$5,101	\$ —	\$ 9,921
Interest expense, net	—	546	—	1,076
Depreciation expense	—	1,702	—	4,553
<b>NOI from discontinued operations</b>	<b>\$ —</b>	<b>\$7,349</b>	<b>\$ —</b>	<b>\$15,550</b>
<b>NOI from assets sold</b>	<b>\$ —</b>	<b>\$7,349</b>	<b>\$ —</b>	<b>\$15,550</b>
NOI from assets held for sale	—	—	—	—
<b>NOI from discontinued operations</b>	<b>\$ —</b>	<b>\$7,349</b>	<b>\$ —</b>	<b>\$15,550</b>

Projected NOI, as used within this release for certain development and redevelopment 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 and redevelopment communities, Projected NOI is calculated based on the first year 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 (based on leased rents for occupied homes and market rents, for vacant homes) minus projected economic vacancy and adjusted for concessions. Projected stabilized operating expenses do not include interest, income taxes (if any), depreciation or amortization, or any allocation of corporate-level property management overhead or general and administrative costs. The weighted average Projected NOI as a percentage of Total Capital Cost is weighted based on the Company's share of the Total Capital Cost of each community, based on its percentage ownership.

Management believes that Projected NOI of the development and redevelopment communities, on an aggregated weighted average basis, assists investors in understanding management's estimate of the likely impact on operations of the development and redevelopment 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 or redevelopment is complex, impractical to develop, and may not be meaningful. Projected NOI of these communities is not a projection of the Company's overall financial performance or cash flow. There can be no assurance that the communities under development or redevelopment will achieve the Projected NOI as described in this release.

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):

	Q2 2009	Q2 2008
Rental revenue (GAAP basis)	\$ 156,457	\$ 160,938
Concessions amortized	2,182	1,647
Concessions granted	(2,231)	(2,178)
Rental revenue (with concessions on a cash basis)	<u>\$ 156,408</u>	<u>\$ 160,407</u>
% change — GAAP revenue		(2.8%)
% change — cash revenue		(2.5%)

Economic Gain is calculated by the Company as the gain 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 to be an appropriate supplemental measure to gain 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 for each of the communities presented is estimated based on their respective final settlement statements. A reconciliation of Economic Gain to gain on sale in accordance with GAAP for both the six months ended June 30, 2009 as well as prior years' activities is presented in the full earnings release.

Interest Coverage is calculated by the Company as EBITDA from continuing operations, excluding land gains and gain on the sale of investments in real estate joint ventures, divided by the sum of interest expense, net, and preferred dividends. 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. EBITDA is defined by the Company as net income attributable to the Company before interest income and expense, income taxes, depreciation and amortization.

A reconciliation of EBITDA and a calculation of Interest Coverage for the second quarter of 2009 are as follows (dollars in thousands):

Net income attributable to the Company	\$ 17,674
Interest expense, net	37,385
Depreciation expense	53,737
EBITDA	<u>\$108,796</u>
Interest expense, net	37,385
Interest charges	37,385
Interest coverage	<u>2.9</u>

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, 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 as presented in the full earnings release, Total Capital Cost is equal to gross real estate cost.

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 \$200 — \$300 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, amortization and extraordinary items. For this purpose, management's projection of operating expenses for the community includes a management fee of 3.0% — 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.

Unleveraged IRR on sold communities refers to the internal rate of return calculated by the Company considering the timing and amounts of (i) total revenue during the period owned by the Company and (ii) the gross sales price net of selling costs, offset by (iii) the undepreciated capital cost of the communities at the time of sale and (iv) total direct operating expenses during the period owned by the Company. Each of the items (i), (ii), (iii) and (iv) are calculated in accordance with GAAP.

The calculation of Unleveraged IRR does not include an adjustment for the Company's general and administrative expense, interest expense, or corporate-level property management and other indirect operating expenses. Therefore, Unleveraged IRR is not a substitute for net income as a measure of our performance. Management believes that the Unleveraged IRR achieved during the period a community is owned by the Company is useful because it is one indication of the gross value created by the Company's acquisition, development or redevelopment, management and sale of a community, before the impact of indirect expenses and Company overhead. The Unleveraged IRR achieved on the communities as cited in this release should not be viewed as an indication of the gross value created with respect to other communities owned by the Company, and the Company

does not represent that it will achieve similar Unleveraged IRRs upon the disposition of other communities. The weighted average Unleveraged IRR for sold communities is weighted based on all cash flows over the holding period for each respective community, including net sales proceeds.

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by either outstanding secured debt or land leases (excluding land leases with purchase options that were put in place for governmental incentives or tax abatements) 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 six months ended June 30, 2009 is as follows (dollars in thousands):

NOI for Established Communities	\$211,144
NOI for Other Stabilized Communities	42,715
NOI for Development/Redevelopment Communities	33,096
Total NOI generated by real estate assets	286,955
NOI on encumbered assets	100,292
NOI on unencumbered assets	186,663
Unencumbered NOI	65.0%

Established Communities are identified by the Company as communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had stabilized operations as of the beginning of the prior year. Therefore, for 2009, Established Communities are consolidated communities that have stabilized operations as of January 1, 2008 and are not conducting or planning to conduct substantial redevelopment activities within the current year. Established Communities do not include communities that are currently held for sale or planned for disposition during the current year.

Economic Occupancy is defined as total possible revenue less vacancy loss as a percentage of total possible revenue. Total possible revenue 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.



P R E S S   R E L E A S E

For Immediate News Release  
July 29, 2009

**AVALONBAY COMMUNITIES, INC. ANNOUNCES  
SECOND QUARTER 2009 OPERATING RESULTS**

(Alexandria, VA) AvalonBay Communities, Inc. (NYSE: AVB) reported today that Net Income Attributable to Common Stockholders ("Net Income") for the quarter ended June 30, 2009 was \$17,674,000. This resulted in Earnings per Share — diluted ("EPS") of \$0.22 for the quarter ended June 30, 2009, compared to EPS of \$1.61 for the comparable period of 2008, a decrease of 86.3%. For the six months ended June 30, 2009, EPS was \$0.82 compared to \$2.21 for the comparable period of 2008, a per share decrease of 62.9%. The decreases are attributable to gains from asset sales in 2008 not present in 2009, coupled with an impairment recognized in the second quarter of 2009 for land parcels which the Company no longer intends to develop.

Funds from Operations attributable to common stockholders — diluted ("FFO") for the quarter ended June 30, 2009 decreased 28.6% to \$0.90 per share from \$1.26 per share for the comparable period of 2008. FFO per share for the six months ended June 30, 2009 decreased by 13.6% to \$2.16 from \$2.50 for the comparable period of 2008.

FFO and Net Income for the three months ended June 30, 2009 include the following non-routine items:

- A non-cash charge of \$0.28 per share related to the impairment and abandonment of certain Development Rights the Company no longer plans to pursue;
- A charge of \$0.03 per share for severance associated with staff reductions due to a further reduction in the Company's planned development activity as well as general economic conditions; partially offset by
- Proceeds of \$0.03 per share from legal settlements.

Adjusting for these non-routine items, FFO per share would have decreased by 6.3% for the second quarter of 2009 as compared to the prior year period.

In addition to the items discussed above, FFO and Net Income for the six months ended June 30, 2009 also include the following non-routine items:

- incremental earnings of \$0.05 per share due primarily to the recognition of the Company's promoted interest in a joint venture; and
- a gain of \$0.01 per share from purchasing medium-term notes at a discount prior to the scheduled maturity.

Adjusting for these additional non-routine items and the non-routine items in the second quarter, FFO per share for the six months ended June 30, 2009 would have decreased by 4.8% from the prior year period.

In addition, the period-over-period per share results are adversely impacted by the 2,627,000 additional shares issued in January 2009 as part of the special dividend declared in the fourth quarter of 2008.

Commenting on the Company's results, Bryce Blair, Chairman and CEO, said "We expect the weak economy and continued job losses will pressure apartment fundamentals through 2009 and into 2010. We are taking the necessary actions to ensure our balance sheet and organization are well positioned to weather near-term challenges and to pursue future opportunities."

**Operating Results for the Quarter Ended June 30, 2009 Compared to the Prior Year Period**

*For the Company*, including discontinued operations, total revenue increased by \$328,000, or 0.1% to \$222,144,000. *For Established Communities*, rental revenue decreased 2.8% due to a decrease in Economic Occupancy of 0.9% and a decrease in Average Rental Rates of 1.9%. As a result, total revenue for Established Communities decreased

\$4,447,000 to \$156,588,000. Operating expenses for Established Communities increased \$1,681,000, or 3.4% to \$51,477,000. Accordingly, Net Operating Income ("NOI") for Established Communities decreased by \$6,128,000, or 5.5% to \$105,111,000.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities from the second quarter of 2008 to the second quarter of 2009:

<b>2Q 09 Compared to 2Q 08</b>				
	Rental Revenue	Operating Expenses	NOI	% of NOI (1)
New England	(3.2%)	6.7%	(8.3%)	19.9%
Metro NY/NJ	(3.2%)	(2.3%)	(3.5%)	28.2%
Mid-Atlantic/Midwest	(1.0%)	4.1%	(3.8%)	16.6%
Pacific NW	(2.8%)	7.6%	(6.8%)	4.7%
No. California	(2.7%)	4.4%	(5.1%)	20.0%
So. California	(4.5%)	6.4%	(8.6%)	10.6%
Total	<u>(2.8%)</u>	<u>3.4%</u>	<u>(5.5%)</u>	<u>100.0%</u>

(1) Total represents each region's % of total NOI from the Company, including discontinued operations.

*Cash concessions* are recognized in accordance with generally accepted accounting principles ("GAAP") and are amortized over the approximate lease term, which is generally one year. The following table reflects the percentage changes in rental revenue with concessions on a GAAP basis and Rental Revenue with Concessions on a Cash Basis for our Established Communities:

<b>2Q 09 vs 2Q 08</b>	
Rental Revenue Change with Concessions on a GAAP Basis	(2.8%)
Rental Revenue Change with Concessions on a Cash Basis	(2.5%)

#### Operating Results for the Six Months Ended June 30, 2009 Compared to the Prior Year Period

For the Company, including discontinued operations, total revenue increased by \$3,820,000, or 0.9% to \$441,823,000. For Established Communities, rental revenue decreased 1.7%, comprised of a decrease in Average Rental Rates of 0.7% and a decrease in Economic Occupancy of 1.0%. As a result, total revenue for Established Communities decreased \$5,501,000 to \$314,667,000, and operating expenses for Established Communities increased \$2,879,000 or 2.9% to \$103,523,000. Accordingly, NOI for Established Communities decreased by \$8,380,000, or 3.8% to \$211,144,000.

The following table reflects the percentage changes in rental revenue, operating expenses and NOI for Established Communities for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008:

<b>YTD 2009 Compared to YTD 2008</b>				
	Rental Revenue	Operating Expenses	NOI	% of NOI (1)
New England	(2.7%)	2.7%	(5.6%)	19.7%
Metro NY/NJ	(2.4%)	1.1%	(3.8%)	27.2%
Mid-Atlantic/Midwest	(0.1%)	3.7%	(2.2%)	16.7%
Pacific NW	(1.1%)	4.2%	(3.3%)	4.8%
No. California	(0.5%)	3.0%	(1.7%)	20.7%
So. California	(3.6%)	5.6%	(7.1%)	10.9%
Total	<u>(1.7%)</u>	<u>2.9%</u>	<u>(3.8%)</u>	<u>100.0%</u>

(1) Total represents each region's % of total NOI from the Company, including discontinued operations.

#### Development Activity

The Company has not started any new development activity during 2009. For the six months ended June 30, 2009, the Company completed the development of two communities: Avalon Morningside Park, located in New York, NY and Avalon at the Hingham Shipyard, located in Hingham, MA. These communities contain an aggregate 530 apartment homes and were completed for an aggregate Total Capital Cost of \$172,500,000.

#### Redevelopment Activity

During the second quarter of 2009, the Company completed the redevelopment of Essex Place, located in Peabody, MA and Avalon Mountain View, located in Mountain View, CA. These two communities contain an aggregate of 534 apartment homes and redevelopment was completed for a Total Capital Cost of \$18,600,000, excluding costs incurred prior to redevelopment.

During the second quarter of 2009, the Company commenced the redevelopment of two communities: Avalon Pleasanton, located in Pleasanton, CA and Avalon Watch, located in West Windsor, NJ. These two communities contain an aggregate of 968 apartment homes and will be redeveloped for an estimated Total Capital Cost of \$38,300,000, excluding costs incurred prior to redevelopment.

#### Investment Management Fund Activity

The Company currently has investments in and serves as the manager for two private, discretionary investment management vehicles.

AvalonBay Value Added Fund, L.P. (the "Fund") is a private, discretionary investment vehicle in which the Company holds an equity interest of approximately 15%.

AvalonBay Value Added Fund II, L.P. ("Fund II") is a private, discretionary investment vehicle with



commitments from five institutional investors and the Company.

In April 2009, the Company announced the second and final closing of Fund II. In this closing, total equity commitments to Fund II increased by \$67,000,000 as a result of the following:

- a new institutional investor made an equity commitment of \$75,000,000;
- an existing institutional investor increased its commitment by \$17,000,000, based on terms of its existing commitment; and
- the Company decreased its commitment by \$25,000,000, based on terms of its existing commitment, decreasing the Company's equity interest to approximately 31%.

With the final closing, Fund II equity commitments total \$400,000,000 (including the Company's \$125,000,000 commitment). Fund II can employ leverage of up to 65%, allowing for an investment capacity of approximately \$1,100,000,000.

In May 2009, Fund II purchased Verona Apartments, located in Bellevue, WA. Verona Apartments contains 220 homes and was acquired for a purchase price of \$33,100,000, or approximately \$150,000 per apartment home.

### **Financing, Liquidity and Balance Sheet Statistics**

At June 30, 2009, the Company had no amounts outstanding under its \$1,000,000,000 unsecured credit facility and the Company had \$456,064,000 in unrestricted cash and cash in escrow. The cash in escrow is available for development activity and includes \$93,440,000 in bond proceeds related to an existing Development Right that the Company expects to develop in the future. Unencumbered NOI as a percentage of total NOI generated by real estate assets for the second quarter of 2009 was 65%. Interest Coverage for the six months ended June 30, 2009 was 2.9 times.

#### *New Financing Activity*

In April 2009, the Company completed a 5.86% fixed rate, pooled secured loan for \$741,140,000. The financing consists of fourteen separate mortgage loans each with a 10-year term. Each loan provides for payment of interest only during the first and second years of the loan term, with payment of principal and interest (based on a 30 year amortization schedule) thereafter and the remaining principal amount and any unpaid interest due at maturity on the tenth anniversary.

#### *Debt Repayment Activity*

In May 2009, the Company repaid \$19,470,000 in variable rate debt secured by Avalon at Flanders Hill, located in Westborough, MA.

Also in May 2009, the Company repaid \$105,600,000 in unsecured debt, representing the first tranche of its \$330,000,000 unsecured variable rate term loan, pursuant to its scheduled maturity.

### **Third Quarter and Full Year 2009 Financial Outlook**

The Company uses a composite of third party economic forecasts to develop operating and financial plans, with a particular focus on employment forecasts. Changes in employment conditions have a significant impact on overall demand for rental housing and are highly correlated to changes in revenue growth.

During the first six months of 2009, actual job losses materially exceeded those contained in the economic forecasts used by the Company to prepare its initial 2009 financial outlook. Actual job losses nationwide through June 2009 totaled 3.2 million, a 70% increase over assumptions incorporated into the Company's February 2009 outlook. A composite of third party economic forecasts now projects a year-over-year decline in nationwide employment of 5.4 million jobs for 2009 with unemployment peaking between 10.5% to 11.0% by mid-2010.

Based on these revised employment projections, revenue from Established Communities is anticipated to decline by 3.5% to 4.5% for 2009. This compares to the 1.5% to 3.5% decline incorporated into the original financial outlook in February 2009. The Company now expects a decline in Established Communities NOI within a range of 6.0% to 8.0%. Changes in these key operating metrics translate into a revised EPS and FFO per share range as follows:

- Earnings per Share: \$2.70 to \$2.85
- Projected FFO per share: \$4.15 to \$4.30
- Projected FFO per share growth (at the midpoint of the updated outlook range): 3.7%
- Projected FFO per share decline, as adjusted for non-routine items in 2008 and 2009: 10.6%

In addition, The Company has expanded its disposition plan for the remainder of 2009 and now expects full year gross sales proceeds from planned asset dispositions to range from \$200,000,000 to \$300,000,000.

An analysis of the revised 2009 financial outlook compared to the initial 2009 financial outlook provided in February follows:

2009 Financial Outlook As of July 2009 Changes From February 2009	
	Per Share
<b>FFO (February 2009 Outlook)</b>	<b>\$ 4.65</b>
NOI & other income	(0.16)
Partial cessation of capitalized interest (1)	(0.04)
G&A reductions, net	0.05
Impairments & abandoned pursuits	(0.28)
<b>FFO (July 2009 Outlook)</b>	<b>4.22</b>

(1) For Development Rights abandoned or not actively under development.

The Company's 2008 FFO per share of \$4.07 included non-recurring items discussed in its fourth quarter and full year 2008 operating results released in February 2009. The 2009 Projected FFO includes the non-recurring items discussed on page one of this release, as well as an estimated charge for additional federal excise taxes for undistributed earnings of approximately \$3,200,000. Adjusting for these non-routine items in both years, the Company expects 2009 Projected FFO per share to decline by 10.6% at the mid-point of the range. FFO per share is also adversely impacted by the additional shares from the dividend declared during the fourth quarter of 2008.

For the third quarter of 2009, the Company expects Projected EPS within a range of \$0.48 to \$0.52. The Company expects Projected FFO per share for the third quarter of 2009 within a range of \$1.07 to \$1.11.

### Third Quarter 2009 Conference/Event Schedule

The Company expects to release its third quarter 2009 earnings on October 28, 2009 after the market closes. The Company expects to hold a conference call on October 29, 2009 at 1:00 PM EDT to discuss the third quarter 2009 results.

The Company is tentatively scheduled to participate in the following conferences during the third quarter of 2009:

3Q 2009 Conference Schedule	
Event/Conference	Date
BMO Capital Markets 2009 North American Real Estate Conference	Sept 9 – 11
Zelman & Associates 2009 Housing Summit	Sept 21 – 23
Bank of America Merrill Lynch 2009 Global Real Estate Conference	Sept 30 – Oct 1

Management may discuss the Company's current operating environment; operating trends; development, redevelopment, disposition and acquisition activity; financial outlook and other business and financial matters affecting the Company. Details on each conference will be available beginning August 1, 2009 on the Company's website at <http://www.avalonbay.com/events>.

### Other Matters

The Company will hold a conference call on July 30, 2009 at 1:00 PM EDT to review and answer questions about this release, its second quarter results, the Attachments (described below) and related matters. To participate on the call, dial 1-877-510-2397 domestically and 1-763-416-6924 internationally.

To hear a replay of the call, which will be available from July 30, 2009 at 2:00 PM EDT to August 6, 2009 at 11:59 PM EDT, dial 1-800-642-1687 domestically and 1-706-645-9291 internationally, and use Access Code: 17102108.

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 30 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>.

### About AvalonBay Communities, Inc.

As of June 30, 2009, the Company owned or held a direct or indirect ownership interest in 174 apartment communities containing 50,511 apartment homes in ten states and the District of Columbia, of which 12 communities were under construction and seven communities were under reconstruction. The Company is an equity REIT in the business of developing, redeveloping, acquiring and managing apartment communities in high barrier to entry markets of the United States. More information may be found on the Company's website at <http://www.avalonbay.com>. For additional information, please contact John Christie, Senior Director of Investor Relations and Research at 1-703-317-4747 or Thomas J. Sargeant, Chief Financial Officer at 1-703-317-4635.

### 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. You can identify these forward-looking statements by the Company's use of words such as "expects," "plans," "estimates," "projects,"

"intends," "believes," "outlook" and similar expressions that do not relate to historical matters. Actual results may differ materially from those expressed or implied by the forward-looking statements as a result of risks and uncertainties, which include the following: 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; 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; increases in costs of materials, labor or other expenses may result in communities that we develop or redevelop failing to achieve expected profitability; or 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. Additional discussions of risks and uncertainties appear in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 under the headings "Risk Factors" and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" and in subsequent quarterly reports on Form 10-Q.

The Company does not undertake a duty to update forward-looking statements, including its expected operating results for the third quarter and full year 2009. 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 14, "Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms." Attachment 14 is included in the full earnings release available at the Company's website at <http://www.avalonbay.com/earnings>.

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# AvalonBay

## COMMUNITIES, INC.

**SECOND QUARTER 2009**

Supplemental Operating and Financial Data



*Avalon Tinton Falls, located in Tinton Falls, NJ, contains 216 apartment homes and was completed in the third quarter of 2008 for a Total Capital Cost of \$41.2 million. The community is conveniently located just minutes from the Garden State Parkway and nearby beaches.*

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## SECOND QUARTER 2009

### Supplemental Operating and Financial Data

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#### **Definitions and Reconciliations**

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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 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 made are discussed in the paragraph titled "Forward-Looking Statements" in the release to which these attachments relate. In particular, 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, 2008 and the Company's Quarterly Reports on Form 10-Q for subsequent quarters.

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**Attachment 1**

**AvalonBay Communities, Inc.**  
**Selected Operating and Other Information**  
**June 30, 2009**  
(Dollars in thousands except per share data)  
(unaudited)

**SELECTED OPERATING INFORMATION**

	Q2 2009	Q2 2008	% Change	YTD 2009	YTD 2008	% Change
Net income attributable to common stockholders	\$ 17,674	\$ 125,159	(85.9%)	\$ 65,099	\$ 171,433	(62.0%)
Per common share — basic	\$ 0.22	\$ 1.63	(86.5%)	\$ 0.82	\$ 2.23	(63.2%)
Per common share — diluted	\$ 0.22	\$ 1.61	(86.3%)	\$ 0.82	\$ 2.21	(62.9%)
Funds from Operations	\$ 71,814	\$ 97,852	(26.6%)	\$ 172,789	\$ 193,969	(10.9%)
Per common share — diluted	\$ 0.90	\$ 1.26	(28.6%)	\$ 2.16	\$ 2.50	(13.6%)
Dividends declared — common	\$ 71,339	\$ 68,760	3.8%	\$ 142,631	\$ 137,457	3.8%
Per common share	\$ 0.8925	\$ 0.8925	0.0%	\$ 1.785	\$ 1.785	0.0%
Common shares outstanding	79,931,385	77,041,842	3.8%	79,931,385	77,041,842	3.8%
Outstanding operating partnership units	15,351	64,019	(76.0%)	15,351	64,019	(76.0%)
Total outstanding shares and units	79,946,736	77,105,861	3.7%	79,946,736	77,105,861	3.7%
Average shares outstanding — basic	79,913,565	77,004,029	3.8%	79,462,086	76,972,599	3.2%
Weighted shares — basic	79,662,223	76,753,951	3.8%	79,210,349	76,714,437	3.3%
Average operating partnership units outstanding	15,888	64,019	(75.2%)	17,648	64,019	(72.4%)
Effect of dilutive securities	364,183	760,647	(52.1%)	670,290	706,267	(5.1%)
Average shares outstanding — diluted	80,042,294	77,578,617	3.2%	79,898,287	77,484,723	3.1%

**DEBT COMPOSITION AND MATURITIES**

Debt Composition (1)	Amount	Average Interest Rate (2)	Remaining Maturities (1)
Conventional Debt			2009
Long-term, fixed rate	\$3,043,674		2010
Long-term, variable rate	314,741		2011
Variable rate facilities (3)	—		2012
Subtotal, Conventional	3,358,415	5.5%	2013
Tax-Exempt Debt			
Long-term, fixed rate	164,875		
Long-term, variable rate	628,548		
Subtotal, Tax-Exempt	793,423	2.9%	
Total Debt	\$4,151,838	5.0%	

**CAPITALIZED COSTS**

	Cap Interest	Cap Overhead	Non-Rev Capex per Home
Q209	\$ 13,677	\$ 6,610	\$ 32
Q109	\$ 12,368	\$ 6,507	\$ 8
Q408	\$ 16,996	\$ 7,836	\$ 290
Q308	\$ 18,803	\$ 7,753	\$ 132
Q208	\$ 19,159	\$ 7,590	\$ 42

**COMMUNITY INFORMATION**

	Communities	Apartment Homes
Current Communities	162	46,476
Development Communities	12	4,035
Development Rights	26	6,688

(1) Excludes debt associated with assets classified as held for sale.

(2) Includes costs of financing such as credit enhancement fees, trustees' fees, etc.

(3) Represents the Company's \$1 billion unsecured credit facility, of which no amount was drawn at June 30, 2009.



**Attachment 2**

**AvalonBay Communities, Inc.**  
**Detailed Operating Information**  
**June 30, 2009**  
(Dollars in thousands except per share data)  
(unaudited)

	Q2 2009	Q2 2008	% Change	YTD 2009	YTD 2008	% Change
<b>Revenue:</b>						
Rental and other income	\$ 220,067	\$ 209,612	5.0%	\$ 438,278	\$ 412,146	6.3%
Management, development and other fees	2,077	1,579	31.5%	3,545	3,217	10.2%
Total	<u>222,144</u>	<u>211,191</u>	<u>5.2%</u>	<u>441,823</u>	<u>415,363</u>	<u>6.4%</u>
<b>Operating expenses:</b>						
Direct property operating expenses, excluding property taxes	55,546	47,650	16.6%	108,652	95,587	13.7%
Property taxes	20,731	19,018	9.0%	42,474	38,015	11.7%
Property management and other indirect operating expenses	9,634	10,471	(8.0%)	19,678	20,568	(4.3%)
Total operating expenses	<u>85,911</u>	<u>77,139</u>	<u>11.4%</u>	<u>170,804</u>	<u>154,170</u>	<u>10.8%</u>
Interest expense, net	(37,385)	(29,598)	26.3%	(66,631)	(57,258)	16.4%
General and administrative expense	(5,390)	(9,383)	(42.6%)	(12,637)	(17,503)	(27.8%)
Joint venture income	492	3,800	(87.1%)	3,949	3,833	3.0%
Investments and investment management expense	(907)	(1,195)	(24.1%)	(1,822)	(2,414)	(24.5%)
Expensed development and other pursuit costs	(2,281)	(1,829)	24.7%	(3,375)	(2,329)	44.9%
Depreciation expense	(53,737)	(47,648)	12.8%	(106,377)	(93,589)	13.7%
Impairment loss	(20,302)	—	N/A	(20,302)	—	N/A
Income from continuing operations	16,723	48,199	(65.3%)	63,824	91,933	(30.6%)
Income from discontinued operations (1)	—	5,101	(100.0%)	—	9,921	(100.0%)
Gain on sale of communities	—	74,139	(100.0%)	—	74,139	(100.0%)
Total discontinued operations	—	79,240	(100.0%)	—	84,060	(100.0%)
Net income	16,723	127,439	(86.9%)	63,824	175,993	(63.7%)
Net (income) expense attributable to redeemable noncontrolling interests	951	(105)	N/A	1,275	(210)	N/A
Net income attributable to the Company	17,674	127,334	(86.1%)	65,099	175,783	(63.0%)
Dividends attributable to preferred stock	—	(2,175)	(100.0%)	—	(4,350)	(100.0%)
Net income attributable to common stockholders	<u>\$ 17,674</u>	<u>\$ 125,159</u>	<u>(85.9%)</u>	<u>\$ 65,099</u>	<u>\$ 171,433</u>	<u>(62.0%)</u>
Net income attributable to common stockholders per common share — basic	<u>\$ 0.22</u>	<u>\$ 1.63</u>	<u>(86.5%)</u>	<u>\$ 0.82</u>	<u>\$ 2.23</u>	<u>(63.2%)</u>
Net income attributable to common stockholders per common share — diluted	<u>\$ 0.22</u>	<u>\$ 1.61</u>	<u>(86.3%)</u>	<u>\$ 0.82</u>	<u>\$ 2.21</u>	<u>(62.9%)</u>

(1) Reflects net income for investments in real estate classified as discontinued operations as of June 30, 2009 and investments in real estate sold during the period from January 1, 2008 through June 30, 2009. The following table details income from discontinued operations for the periods shown:

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Rental income	\$ —	\$ 10,625	\$ —	\$ 22,640
Operating and other expenses	—	(3,276)	—	(7,090)
Interest expense, net	—	(546)	—	(1,076)
Depreciation expense	—	(1,702)	—	(4,553)
Income from discontinued operations	<u>\$ —</u>	<u>\$ 5,101</u>	<u>\$ —</u>	<u>\$ 9,921</u>

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**Attachment 3**

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

	June 30, 2009	December 31, 2008
Real estate	\$ 7,270,874	\$ 6,895,970
Less accumulated depreciation	(1,458,917)	(1,352,744)
Net operating real estate	5,811,957	5,543,226
Construction in progress, including land	783,934	867,061
Land held for development	225,634	239,456
Total real estate, net	6,821,525	6,649,743
Cash and cash equivalents	215,788	65,706
Cash in escrow	240,276	193,599
Resident security deposits	27,859	29,935
Other assets	268,870	235,370
Total assets	<u>\$ 7,574,318</u>	<u>\$ 7,174,353</u>
Unsecured notes, net	\$ 1,795,590	\$ 2,002,965
Unsecured facilities	—	124,000
Notes payable	2,354,298	1,547,492
Resident security deposits	39,436	40,603
Other liabilities	387,563	532,944
Total liabilities	<u>\$ 4,576,887</u>	<u>\$ 4,248,004</u>
Redeemable noncontrolling interests	6,722	10,234
Stockholders' equity	2,990,709	2,916,115
Total liabilities and stockholders' equity	<u>\$ 7,574,318</u>	<u>\$ 7,174,353</u>

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**Attachment 4**

**AvalonBay Communities, Inc.**  
**Quarterly Revenue and Occupancy Changes — Established Communities(1)**  
**June 30, 2009**

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000's)(3)		
		Q2 09	Q2 08	% Change	Q2 09	Q2 08	% Change	Q2 09	Q2 08	% Change
<b>New England</b>										
Boston, MA	3,289	\$ 1,969	\$ 1,971	(0.1%)	95.8%	97.0%	(1.2%)	\$ 18,606	\$ 18,858	(1.3%)
Fairfield-New Haven, CT	2,518	1,952	2,048	(4.7%)	95.5%	96.4%	(0.9%)	14,076	14,912	(5.6%)
New England Average	5,807	1,961	2,005	(2.2%)	95.7%	96.7%	(1.0%)	32,682	33,770	(3.2%)
<b>Metro NY/NJ</b>										
New Jersey	2,750	2,096	2,182	(3.9%)	95.3%	96.2%	(0.9%)	16,487	17,327	(4.8%)
New York, NY	1,936	2,654	2,699	(1.7%)	96.7%	97.3%	(0.6%)	14,897	15,248	(2.3%)
Long Island, NY	1,621	2,295	2,327	(1.4%)	95.5%	95.8%	(0.3%)	10,655	10,842	(1.7%)
Metro NY/NJ Average	6,307	2,318	2,378	(2.5%)	95.8%	96.5%	(0.7%)	42,039	43,417	(3.2%)
<b>Mid-Atlantic/Midwest</b>										
Washington Metro	5,787	1,738	1,743	(0.3%)	96.1%	96.9%	(0.8%)	28,998	29,320	(1.1%)
Chicago, IL	896	1,459	1,482	(1.6%)	96.5%	95.6%	0.9%	3,785	3,810	(0.7%)
Mid-Atlantic/Midwest Average	6,683	1,701	1,706	(0.3%)	96.1%	96.8%	(0.7%)	32,783	33,130	(1.0%)
<b>Pacific Northwest</b>										
Seattle, WA	1,943	1,312	1,328	(1.2%)	93.7%	95.3%	(1.6%)	7,167	7,373	(2.8%)
Pacific Northwest Average	1,943	1,312	1,328	(1.2%)	93.7%	95.3%	(1.6%)	7,167	7,373	(2.8%)
<b>Northern California</b>										
San Jose, CA	2,734	1,930	1,965	(1.8%)	96.3%	96.7%	(0.4%)	15,241	15,580	(2.2%)
San Francisco, CA	1,170	2,301	2,336	(1.5%)	94.8%	96.8%	(2.0%)	7,655	7,935	(3.5%)
Oakland-East Bay, CA	720	1,522	1,574	(3.3%)	96.1%	95.7%	0.4%	3,158	3,252	(2.9%)
Northern California Average	4,624	1,960	1,997	(1.9%)	95.8%	96.6%	(0.8%)	26,054	26,767	(2.7%)
<b>Southern California</b>										
Los Angeles, CA	1,447	1,628	1,700	(4.2%)	93.3%	95.1%	(1.8%)	6,593	7,017	(6.0%)
Orange County, CA	1,174	1,438	1,484	(3.1%)	92.9%	95.8%	(2.9%)	4,705	5,006	(6.0%)
San Diego, CA	1,058	1,504	1,479	1.7%	92.7%	94.9%	(2.2%)	4,434	4,458	(0.5%)
Southern California Average	3,679	1,533	1,568	(2.2%)	93.0%	95.3%	(2.3%)	15,732	16,481	(4.5%)
<b>Average/Total Established</b>	<b>29,043</b>	<b>\$ 1,881</b>	<b>\$ 1,917</b>	<b>(1.9%)</b>	<b>95.5%</b>	<b>96.4%</b>	<b>(0.9%)</b>	<b>\$ 156,457</b>	<b>\$ 160,938</b>	<b>(2.8%)</b>

- (1) Established Communities are communities with stabilized operating expenses as of January 1, 2008 such that a comparison of 2008 to 2009 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 decreased 2.5% between years.

**Attachment 5**

**AvalonBay Communities, Inc.**  
**\*Sequential Quarterly\* Revenue and Occupancy Changes — Established Communities (1)**

**June 30, 2009**

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000's)		
		Q2 09	Q109	% Change	Q2 09	Q109	% Change	Q2 09	Q109	% Change
New England										
Boston, MA	3,289	\$ 1,969	\$ 1,982	(0.7%)	95.8%	94.9%	0.9%	\$ 18,606	\$ 18,571	0.2%
Fairfield-New Haven, CT	2,518	1,952	1,972	(1.0%)	95.5%	94.0%	1.5%	14,076	13,999	0.6%
New England Average	5,807	1,961	1,978	(0.9%)	95.7%	94.5%	1.2%	32,682	32,570	0.3%
Metro NY/NJ										
New Jersey	2,750	2,096	2,129	(1.6%)	95.3%	95.5%	(0.2%)	16,487	16,783	(1.8%)
New York, NY	1,936	2,654	2,679	(0.9%)	96.7%	95.7%	1.0%	14,897	14,883	0.1%
Long Island, NY	1,621	2,295	2,311	(0.7%)	95.5%	93.4%	2.1%	10,655	10,500	1.5%
Metro NY/NJ Average	6,307	2,318	2,345	(1.2%)	95.8%	95.0%	0.8%	42,039	42,166	(0.3%)
Mid-Atlantic/Midwest										
Washington Metro	5,787	1,738	1,730	0.5%	96.1%	96.7%	(0.6%)	28,998	29,035	(0.1%)
Chicago, IL	896	1,459	1,460	(0.1%)	96.5%	95.5%	1.0%	3,785	3,747	1.0%
Mid-Atlantic/Midwest Average	6,683	1,701	1,694	0.4%	96.1%	96.5%	(0.4%)	32,783	32,782	0.0%
Pacific Northwest										
Seattle, WA	1,943	1,312	1,339	(2.0%)	93.7%	94.5%	(0.8%)	7,167	7,377	(2.8%)
Pacific Northwest Average	1,943	1,312	1,339	(2.0%)	93.7%	94.5%	(0.8%)	7,167	7,377	(2.8%)
Northern California										
San Jose, CA	2,734	1,930	1,985	(2.8%)	96.3%	96.7%	(0.4%)	15,241	15,745	(3.2%)
San Francisco, CA	1,170	2,301	2,347	(2.0%)	94.8%	96.8%	(2.0%)	7,655	7,977	(4.0%)
Oakland-East Bay, CA	720	1,522	1,571	(3.1%)	96.1%	96.1%	0.0%	3,158	3,262	(3.2%)
Northern California Average	4,624	1,960	2,012	(2.6%)	95.8%	96.7%	(0.9%)	26,054	26,984	(3.4%)
Southern California										
Los Angeles, CA	1,447	1,628	1,661	(2.0%)	93.3%	93.1%	0.2%	6,593	6,711	(1.8%)
Orange County, CA	1,174	1,438	1,452	(1.0%)	92.9%	94.7%	(1.8%)	4,705	4,845	(2.9%)
San Diego, CA	1,058	1,504	1,517	(0.9%)	92.7%	94.3%	(1.6%)	4,434	4,539	(2.3%)
Southern California Average	3,679	1,533	1,553	(1.3%)	93.0%	93.9%	(0.9%)	15,732	16,095	(2.3%)
Average/Total Established	29,043	\$ 1,881	\$ 1,901	(1.1%)	95.5%	95.4%	0.1%	\$ 156,457	\$ 157,974	(1.0%)

- (1) Established Communities are communities with stabilized operating expenses as of January 1, 2008 such that a comparison of 2008 to 2009 is meaningful.
- (2) Reflects the effect of concessions amortized over the average lease term.

**Attachment 6**

**AvalonBay Communities, Inc.**  
**Year-to-Date Revenue and Occupancy Changes — Established Communities (1)**

**June 30, 2009**

	Apartment Homes	Average Rental Rates (2)			Economic Occupancy			Rental Revenue (\$000's)		
		YTD 09	YTD 08	% Change	YTD 09	YTD 08	% Change	YTD 09	YTD 08	% Change
<b>New England</b>										
Boston, MA	3,289	\$ 1,976	\$ 1,958	0.9%	95.3%	96.8%	(1.5%)	\$ 37,176	\$ 37,387	(0.6%)
Fairfield-New Haven, CT	2,518	1,961	2,035	(3.6%)	94.7%	96.5%	(1.8%)	28,076	29,671	(5.4%)
New England Average	5,807	1,970	1,991	(1.1%)	95.1%	96.7%	(1.6%)	65,252	67,058	(2.7%)
<b>Metro NY/NJ</b>										
New Jersey	2,750	2,113	2,186	(3.3%)	95.4%	95.9%	(0.5%)	33,269	34,592	(3.8%)
New York, NY	1,936	2,666	2,674	(0.3%)	96.2%	96.8%	(0.6%)	29,780	30,060	(0.9%)
Long Island, NY	1,621	2,303	2,310	(0.3%)	94.4%	96.1%	(1.7%)	21,155	21,583	(2.0%)
Metro NY/NJ Average	6,307	2,332	2,369	(1.6%)	95.4%	96.2%	(0.8%)	84,204	86,235	(2.4%)
<b>Mid-Atlantic/Midwest</b>										
Washington Metro	5,787	1,734	1,734	0.0%	96.4%	96.5%	(0.1%)	58,033	58,067	(0.1%)
Chicago, IL	896	1,460	1,466	(0.4%)	96.0%	96.4%	(0.4%)	7,532	7,596	(0.8%)
Mid-Atlantic/Midwest Average	6,683	1,697	1,696	0.1%	96.3%	96.5%	(0.2%)	65,565	65,663	(0.1%)
<b>Pacific Northwest</b>										
Seattle, WA	1,943	1,326	1,322	0.3%	94.1%	95.5%	(1.4%)	14,544	14,705	(1.1%)
Pacific Northwest Average	1,943	1,326	1,322	0.3%	94.1%	95.5%	(1.4%)	14,544	14,705	(1.1%)
<b>Northern California</b>										
San Jose, CA	2,734	1,958	1,950	0.4%	96.5%	96.9%	(0.4%)	30,986	30,978	0.0%
San Francisco, CA	1,170	2,324	2,320	0.2%	95.8%	97.1%	(1.3%)	15,633	15,813	(1.1%)
Oakland-East Bay, CA	720	1,547	1,572	(1.6%)	96.1%	96.2%	(0.1%)	6,419	6,533	(1.7%)
Northern California Average	4,624	1,986	1,985	0.1%	96.2%	96.8%	(0.6%)	53,038	53,324	(0.5%)
<b>Southern California</b>										
Los Angeles, CA	1,447	1,645	1,692	(2.8%)	93.2%	96.0%	(2.8%)	13,304	14,086	(5.6%)
Orange County, CA	1,174	1,445	1,485	(2.7%)	93.8%	96.2%	(2.4%)	9,550	10,063	(5.1%)
San Diego, CA	1,058	1,509	1,476	2.2%	93.5%	94.6%	(1.1%)	8,973	8,874	1.1%
Southern California Average	3,679	1,543	1,564	(1.3%)	93.4%	95.7%	(2.3%)	31,827	33,023	(3.6%)
<b>Average/Total Established</b>	<b>29,043</b>	<b>\$ 1,891</b>	<b>\$ 1,905</b>	<b>(0.7%)</b>	<b>95.4%</b>	<b>96.4%</b>	<b>(1.0%)</b>	<b>\$ 314,430</b>	<b>\$ 320,008</b>	<b>(1.7%)</b>

- (1) Established Communities are communities with stabilized operating expenses as of January 1, 2008 such that a comparison of 2008 to 2009 is meaningful.
- (2) Reflects the effect of concessions amortized over the average lease term.

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**Attachment 7**

**AvalonBay Communities, Inc.**  
**Summary of Development and Redevelopment Activity (1) as of June 30, 2009**

		Number of Communities	Number of Homes	Total Capital Cost (2) (millions)
<b>Portfolio Additions:</b>				
2009 Projected Completions	(3)			
Development		9	2,526	\$ 820.5
Redevelopment	(4)	4	926	29.6
Total Additions		<u>13</u>	<u>3,452</u>	<u>\$ 850.1</u>
2008 Actual Completions				
Development		13	4,036	\$ 1,044.3
Redevelopment	(4)	6	1,213	27.8
Total Additions		<u>19</u>	<u>5,249</u>	<u>\$ 1,072.1</u>
<b>Pipeline Activity:</b>				
	(3)			
Currently Under Construction				
Development		12	4,035	\$ 1,396.4
Redevelopment	(4)	7	2,577	116.5
Subtotal		<u>19</u>	<u>6,612</u>	<u>\$ 1,512.9</u>
Planning				
Development Rights		26	6,688	\$ 2,122.0
Total Pipeline		<u>45</u>	<u>13,300</u>	<u>\$ 3,634.9</u>

(1) Represents activity for consolidated and unconsolidated entities.

(2) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

(3) Information represents projections and estimates.

(4) Represents only cost of redevelopment activity, does not include original acquisition cost.

This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements on the Table of Contents page relating to the Company's Supplemental Operating and Financial Data for the second quarter of 2009.

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## Attachment 8

### AvalonBay Communities, Inc. Development Communities as of June 30, 2009

	Percentage Ownership Upon Completion	# of Apt Homes	Total Capital Cost (1) (millions)	Schedule				Avg Rent Per Home (1)  Inclusive of Concessions See Attachment #14	% Comp (2)	% Leased (3)	% Occ	
				Start	Initial Occupancy	Complete	Stabilized Ops (1)				Physical (4)	Economic (1) (5)
Under Construction:												
1. Avalon White Plains White Plains, NY	100%	407	\$ 153.0	Q2 2007	Q3 2008	Q4 2009	Q2 2010	\$ 2,565	74.2%	70.8%	65.8%	45.2%
2. Avalon Anaheim Stadium Anaheim, CA	100%	251	102.3	Q2 2007	Q4 2008	Q3 2009	Q1 2010	2,070	91.2%	69.3%	60.2%	36.4%
3. Avalon Union City Union City, CA	100%	439	120.9	Q3 2007	Q1 2009	Q4 2009	Q2 2010	1,575	49.7%	49.0%	41.9%	18.3%
4. Avalon at Mission Bay North III San Francisco, CA	100%	260	150.0	Q4 2007	Q2 2009	Q4 2009	Q2 2010	3,255	48.8%	44.2%	34.2%	8.2%
5. Avalon Irvine (6) Irvine, CA	100%	279	77.4	Q4 2007	Q2 2009	Q1 2010	Q3 2010	1,785	31.9%	25.1%	16.5%	2.2%
6. Avalon Fort Greene New York, NY	100%	631	306.8	Q4 2007	Q4 2009	Q1 2011	Q3 2011	3,605	N/A	N/A	N/A	N/A
7. Avalon Charles Pond Coram, NY	100%	200	47.8	Q1 2008	Q1 2009	Q3 2009	Q1 2010	1,865	88.0%	69.5%	63.0%	37.1%
8. Avalon Blue Hills Randolph, MA	100%	276	46.6	Q2 2008	Q1 2009	Q4 2009	Q2 2010	1,430	54.3%	49.3%	38.4%	20.5%
9. Avalon Walnut Creek (7) Walnut Creek, CA	100%	422	151.7	Q3 2008	Q3 2010	Q1 2011	Q3 2011	2,215	N/A	N/A	N/A	N/A
10. Avalon Norwalk Norwalk, CT	100%	311	86.4	Q3 2008	Q3 2010	Q2 2011	Q4 2011	2,260	N/A	N/A	N/A	N/A
11. Avalon Northborough I Northborough, MA	100%	163	27.4	Q4 2008	Q2 2009	Q4 2009	Q2 2010	1,520	40.5%	50.9%	34.4%	10.5%
12. Avalon Towers Bellevue Bellevue, WA	100%	396	126.1	Q4 2008	Q2 2010	Q2 2011	Q4 2011	2,390	N/A	N/A	N/A	N/A
Total/Weighted Average		4,035	\$ 1,396.4					\$ 2,350				
Weighted Average Projected NOI as a % of Total Capital Cost (1) (8)			5.7%	Inclusive of Concessions — See Attachment #14								
Non-Stabilized Development Communities: (9)				% Economic Occ (1) (5)		Asset Cost Basis, Non-Stabilized Development:					Source	
Prior Completions:								Capital Cost, Prior Quarter Completions		\$ 413.0	Att. 8	
Avalon Meydenbauer		368	\$ 88.1					Capital Cost, Current Completions		—	Att. 8	
Avalon Fashion Valley		161	64.7					Capital Cost, Under Construction		1,396.4	Att. 8	
Avalon Encino		131	62.2					Less: Remaining to Invest, Under Construction		( 395.6)	Att. 10	
Avalon Huntington		99	25.5					Total Asset Cost Basis, Non-Stabilized Development		\$ 1,413.8		
Avalon Morningside Park		295	119.0									
Avalon at the Hingham Shipyard		235	53.5									
		1,289	\$ 413.0	82.7%								

Q2 2009 Net Operating Income/(Deficit) for communities under construction and non-stabilized development communities was \$4.0 million. See Attachment #14.

- (1) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
  - (2) Includes apartment homes for which construction has been completed and accepted by management as of July 24, 2009.
  - (3) Includes apartment homes for which leases have been executed or non-refundable deposits have been paid as of July 24, 2009.
  - (4) Physical occupancy based on apartment homes occupied as of July 24, 2009.
  - (5) Represents Economic Occupancy for the second quarter of 2009.
  - (6) This community was formerly known as Avalon Jamboree Village.
  - (7) This community is being financed in part by a combination of third-party tax-exempt and taxable debt.
  - (8) The Weighted Average calculation is based on the Company's pro rata share of the Total Capital Cost for each community.
  - (9) Represents Development Communities completed in prior quarters that had not achieved Stabilized Operations for the entire current quarter. Estimates are based on the Company's pro rata share of the Total Capital Cost for each community.
- This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements on the Table of Contents page relating to the Company's Supplemental Operating and Financial Data for the second quarter of 2009.

## Attachment 9

### AvalonBay Communities, Inc. Redevelopment Communities as of June 30, 2009

Percentage Ownership	# of Apt Homes	Cost (millions)		Schedule				Avg Rent Per Home (2)	Number of Homes		
		Pre-Redevelopment Capital Cost	Total Capital Cost (1)(2)	Acquisition / Completion	Start	Complete	Restabilized Ops (2)		Completed to date	Out of Service @ 6/30/09	
Inclusive of Concessions See Attachment #14											
Under Redevelopment:											
1. Avalon Woodland Hills Woodland Hills, CA	100%	663	\$ 72.1	\$ 110.6	Q4 1997	Q4 2007	Q3 2010	Q1 2011	\$ 1,725	398	52
2. Avalon at Diamond Heights San Francisco, CA	100%	154	25.3	30.6	Q2 1994	Q4 2007	Q4 2010	Q2 2011	2,240	64	4
3. Avalon Symphony Woods I Columbia, MD	100%	176	9.4	14.2	Q4 1986	Q2 2008	Q3 2009	Q1 2010	1,435	170	2
4. Avalon Symphony Woods II Columbia, MD	100%	216	36.4	42.6	Q4 2006	Q2 2008	Q3 2009	Q1 2010	1,355	182	5
5. Avalon Burbank (3) Burbank, CA	100%	400	71.0	94.4	Q2 2002	Q3 2008	Q3 2010	Q1 2011	2,275	127	9
6. Avalon Pleasanton Pleasanton, CA	100%	456	63.0	80.9	Q1 1994	Q2 2009	Q4 2011	Q2 2012	1,350	—	—
7. Avalon Watch West Windsor, NJ	100%	512	30.2	50.6	Q4 1988	Q2 2009	Q1 2012	Q3 2012	1,455	—	—
Subtotal		2,577	\$ 307.4	\$ 423.9					\$ 1,670	941	72
Completed this Quarter:											
1. Essex Place Peabody, MA	100%	286	\$ 23.7	\$ 34.7	Q3 2004	Q3 2007	Q2 2009	Q4 2009	\$ 1,290	286	—
2. Avalon Mountain View Mountain View, CA	88%	248	51.6	59.2	Q4 1986	Q2 2008	Q2 2009	Q4 2009	1,980	248	—
Subtotal		534	\$ 75.3	\$ 93.9					\$ 1,610	534	—
Grand Total/Weighted Average		3,111	\$ 382.7	\$ 517.8					\$ 1,660	1,475	72
Weighted Average Projected NOI as a % of Total Capital Cost (2)				8.2% Inclusive of Concessions — See Attachment #14							

- (1) Inclusive of acquisition cost.
- (2) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (3) This community was formerly known as The Promenade.

This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements on the Table of Contents page relating to the Company's Supplemental Operating and Financial Data for the second quarter of 2009.

**Attachment 10**

**AvalonBay Communities, Inc.**  
**Summary of Development and Redevelopment Community Activity (1) as of June 30, 2009**  
**(Dollars in Thousands)**

<b>DEVELOPMENT (2)</b>					
	Apt Homes Completed & Occupied	Total Capital Cost Invested During Period (3)	Cost of Homes Completed & Occupied (4)	Remaining to Invest (5)(6)	Construction in Progress at Period End
Total - 2007 Actual	<u>2,540</u>	<u>\$ 966,858</u>	<u>\$ 664,267</u>	<u>\$ 1,038,879</u>	<u>\$ 924,761</u>
<b>2008 Actual:</b>					
Quarter 1	676	\$ 179,408	\$ 180,366	\$ 857,491	\$ 925,736
Quarter 2	948	178,794	226,235	1,001,288	912,290
Quarter 3	827	191,140	207,903	713,840	842,483
Quarter 4	456	175,620	143,734	666,623	820,218
Total - 2008 Actual	<u>2,907</u>	<u>\$ 724,962</u>	<u>\$ 758,238</u>		
<b>2009 Projected:</b>					
Quarter 1 (Actual)	422	\$ 124,422	\$ 143,195	\$ 526,116	\$ 776,473
Quarter 2 (Actual)	719	128,785	222,384	395,611	745,907
Quarter 3 (Projected)	789	131,860	257,569	263,751	597,000
Quarter 4 (Projected)	541	94,401	187,049	169,350	493,663
Total - 2009 Projected	<u>2,471</u>	<u>\$ 479,468</u>	<u>\$ 810,197</u>		
<b>REDEVELOPMENT</b>					
	Avg Homes Out of Service	Total Capital Cost Invested During Period (3)	Remaining to Invest (5)	Reconstruction in Progress at Period End	
Total - 2007 Actual		<u>\$ 18,612</u>	<u>\$ 69,136</u>	<u>\$ 30,683</u>	
<b>2008 Actual:</b>					
Quarter 1	112	\$ 6,433	\$ 65,666	\$ 37,761	
Quarter 2	160	11,266	75,362	46,265	
Quarter 3	103	14,705	63,107	39,981	
Quarter 4	52	13,514	53,214	47,362	
Total - 2008 Actual		<u>\$ 45,918</u>			
<b>2009 Projected:</b>					
Quarter 1 (Actual)	89	\$ 12,031	\$ 40,056	\$ 40,477	
Quarter 2 (Actual)	75	15,983	61,157	38,027	
Quarter 3 (Projected)	89	13,593	47,564	28,569	
Quarter 4 (Projected)	78	9,678	37,886	25,294	
Total - 2009 Projected		<u>\$ 51,285</u>			

- (1) Data is presented for all communities currently under development or redevelopment.
- (2) Projected periods include data for consolidated joint ventures at 100%. The offset for joint venture partners' participation is reflected as redeemable noncontrolling interest.
- (3) Represents Total Capital Cost incurred or expected to be incurred during the quarter, year or in total. See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (4) Represents projected Total Capital Cost of apartment homes completed and occupied during the quarter. Calculated by dividing Total Capital Cost for each Development Community by number of homes for the community, multiplied by the number of homes completed and occupied during the quarter.
- (5) Represents projected Total Capital Cost remaining to invest on communities currently under construction or reconstruction.
- (6) Amount for Q2 2009 includes \$112.0 million expected to be financed by proceeds from third-party tax-exempt and taxable debt.
- This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements on the Table of Contents page relating to the Company's Supplemental Operating and Financial Data for the second quarter of 2009.

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**Attachment 11****AvalonBay Communities, Inc.  
Future Development as of June 30, 2009**

<b>DEVELOPMENT RIGHTS (1)</b>		
Location of Development Right	Estimated Number of Homes	Total Capital Cost (1) (millions)
1. Rockville Centre, NY Phase I	210	\$ 78
2. Northborough, MA Phase II	219	43
3. Greenburgh, NY Phase II	288	77
4. West Long Branch, NJ	180	34
5. Plymouth, MA Phase II	92	20
6. Wood-Ridge, NJ	406	92
7. Seattle, WA	204	58
8. Lynnwood, WA Phase II	82	18
9. San Francisco, CA	173	65
10. Wilton, CT	100	30
11. Greenburgh, NY Phase III	156	43
12. Rockville Centre, NY Phase II	139	51
13. New York, NY	691	307
14. Shelton, CT	251	66
15. Roselle Park, NJ	249	54
16. Dublin, CA Phase II	405	126
17. Cohasset, MA	200	38
18. North Bergen, NJ	164	47
19. Brooklyn, NY	861	443
20. Boston, MA	180	97
21. Rockville, MD	240	62
22. Stratford, CT	130	22
23. Yaphank, NY	343	57
24. Tysons Corner, VA	338	87
25. Seattle, WA II	272	81
26. Andover, MA	115	26
Total	6,688	\$ 2,122

(1) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.

This chart contains forward-looking statements. Please see the paragraph regarding forward-looking statements on the Table of Contents page relating to the Company's Supplemental Operating and Financial Data for the second quarter of 2009.

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**Attachment 12**

**AvalonBay Communities, Inc.**  
**Unconsolidated Real Estate Investments as of June 30, 2009**  
(Dollars in Thousands)

Unconsolidated Real Estate Investments	Percentage Ownership	# of Apt Homes	Total Capital Cost (1)	AVB Book Value Investment (2)	Outstanding Debt			Maturity Date	AVB's Share of Partnership Debt (4)
					Amount	Type	Interest Rate (3)		
AvalonBay Value Added Fund, LP									
1. Avalon at Redondo Beach Los Angeles, CA	N/A	105	\$ 24,550	N/A	\$ 21,033	Fixed	4.87%	Oct 2011	\$ 3,197
2. Avalon Lakeside Chicago, IL	N/A	204	18,098	N/A	12,056	Fixed	5.74%	Mar 2012	1,833
3. Avalon Columbia Baltimore, MD	N/A	170	29,317	N/A	22,275	Fixed	5.48%	Apr 2012	3,386
4. Avalon Sunset Los Angeles, CA	N/A	82	20,830	N/A	12,750	Fixed	5.41%	Feb 2014	1,938
5. Avalon at Poplar Creek Chicago, IL	N/A	196	27,991	N/A	16,500	Fixed	4.83%	Oct 2012	2,508
6. Avalon at Civic Center Norwalk, CA	N/A	192	42,756	N/A	27,001	Fixed	5.38%	Aug 2013	4,104
7. Avalon Paseo Place Fremont, CA	N/A	134	24,889	N/A	11,800	Fixed	5.74%	Nov 2013	1,794
8. Avalon at Yerba Buena San Francisco, CA	N/A	160	66,791	N/A	41,500	Fixed	5.88%	Mar 2014	6,308
9. Avalon at Aberdeen Station Aberdeen, NJ	N/A	290	58,219	N/A	39,842	Fixed	5.64%	Sep 2013	6,056
10. The Springs Corona, CA	N/A	320	48,333	N/A	26,000	Fixed	6.06%	Oct 2014	3,952
11. Avalon Lombard Lombard, IL	N/A	256	34,646	N/A	17,243	Fixed	5.43%	Jan 2014	2,621
12. Avalon Cedar Place Columbia, MD	N/A	156	24,404	N/A	12,000	Fixed	5.68%	Feb 2014	1,824
13. Avalon Centerpoint Baltimore, MD	N/A	392	79,407	N/A	45,000	Fixed	5.74%	Dec 2013	6,840
14. Middlesex Crossing Billerica, MA	N/A	252	37,849	N/A	24,100	Fixed	5.49%	Dec 2013	3,663
15. Avalon Crystal Hill Ponoma, NY	N/A	168	38,562	N/A	24,500	Fixed	5.43%	Dec 2013	3,724
16. Skyway Terrace San Jose, CA	N/A	348	76,255	N/A	37,500	Fixed	6.11%	Mar 2014	5,700
17. Avalon Rutherford Station East Rutherford, NJ	N/A	108	36,778	N/A	20,240	Fixed	6.13%	Sep 2016	3,076
18. South Hills Apartments West Covina, CA	N/A	85	24,752	N/A	11,761	Fixed	5.92%	Dec 2013	1,788
19. Weymouth Place Weymouth, MA	N/A	211	25,170	N/A	13,455	Fixed	5.12%	Mar 2015	2,045
Fund corporate debt	N/A	N/A	N/A	N/A	3,000	Variable	1.72%	2009(8)	456
	15.2%	3,829	\$ 739,597	\$ 108,765	\$ 439,556				\$ 66,813
AvalonBay Value Added Fund II, LP									
1. Verona Apartments Bellevue, WA	N/A	220	\$ 33,111	N/A	\$ 21,515	Fixed	5.52%	Jun 2019	\$ 6,723
	31.25%	220	\$ 33,111	\$ 17,186	\$ 21,515				\$ 6,723
Other Operating Joint Ventures									
1. Avalon Chrystie Place I (5) New York, NY	20.0%	361	128,899	25,496	117,000	Variable	0.24%	Nov 2036	23,400
2. Avalon at Mission Bay North II (5) San Francisco, CA	25.0%	313	123,872	28,586	105,000	Fixed	6.02%	Dec 2015	26,250
3. Avalon Del Rey Los Angeles, CA	30.0%	309	70,037	18,633	46,366	Variable	3.66%	April 2016	13,910
Other Development Joint Ventures									
1. Aria at Hathorne (6) (7) Danvers, MA	50.0%	64	N/A	5,579	4,124	Variable	2.93%	Jun 2010	\$ 2,062
		1,047	\$ 322,808	\$ 78,294	\$ 272,490				\$ 65,622
		5,096	\$ 1,095,516	\$ 204,245	\$ 733,561				\$ 139,158

- (1) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (2) These unconsolidated real estate investments are accounted for under the equity method of accounting. AVB Book Value Investment represents the Company's recorded equity investment plus the Company's pro rata share of outstanding debt.
- (3) Represents weighted average rate on outstanding debt.
- (4) The Company has not guaranteed the debt of its unconsolidated investees and bears no responsibility for the repayment, other than the construction completion and related financing guarantee for Avalon Chrystie Place I associated with the construction completion and occupancy certificate.
- (5) After the venture makes certain threshold distributions to the third-party partner, the Company generally receives 50% of all further distributions.
- (6) The Company has contributed land at a stepped up basis as its only capital contribution to this development. The Company is not guaranteeing the construction or acquisition loans, nor is it responsible for any cost over runs until certain thresholds are satisfied.
- (7) After the venture makes certain threshold distributions to the Company, AVB receives 50% of all further distributions.
- (8) As of June 30, 2009, these borrowings are drawn under an unsecured credit facility maturing in December 2009.

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**Attachment 13**

**AvalonBay Communities, Inc.**  
**Summary of Disposition Activity (1) as of June 30, 2009**  
(Dollars in thousands)

Number of Communities Sold	Weighted Average Holding Period (2)	Gross Sales Price	GAAP Gain	Accumulated Depreciation and Other	Economic Gain (3)	Weighted Average Initial Year Mkt. Cap Rate (2) (3)	Weighted Average Unleveraged IRR (2) (3)
<u>1998:</u> 9 Communities		<u>\$ 170,312</u>	<u>\$ 25,270</u>	<u>\$ 23,438</u>	<u>\$ 1,832</u>	8.1%	16.2%
<u>1999:</u> 16 Communities		<u>\$ 317,712</u>	<u>\$ 47,093</u>	<u>\$ 27,150</u>	<u>\$ 19,943</u>	8.3%	12.1%
<u>2000:</u> 8 Communities		<u>\$ 160,085</u>	<u>\$ 40,779</u>	<u>\$ 6,262</u>	<u>\$ 34,517</u>	7.9%	15.3%
<u>2001:</u> 7 Communities		<u>\$ 241,130</u>	<u>\$ 62,852</u>	<u>\$ 21,623</u>	<u>\$ 41,229</u>	8.0%	14.3%
<u>2002:</u> 1 Community		<u>\$ 80,100</u>	<u>\$ 48,893</u>	<u>\$ 7,462</u>	<u>\$ 41,431</u>	5.4%	20.1%
<u>2003:</u> 12 Communities, 1 Land Parcel (4)		<u>\$ 460,600</u>	<u>\$ 184,438</u>	<u>\$ 52,613</u>	<u>\$ 131,825</u>	6.3%	15.3%
<u>2004:</u> 5 Communities, 1 Land Parcel		<u>\$ 250,977</u>	<u>\$ 122,425</u>	<u>\$ 19,320</u>	<u>\$ 103,105</u>	4.8%	16.8%
<u>2005:</u> 7 Communities, 1 Office Building, 3 Land Parcels (5)		<u>\$ 382,720</u>	<u>\$ 199,766</u>	<u>\$ 14,929</u>	<u>\$ 184,838</u>	3.8%	18.0%
<u>2006:</u> 4 Communities, 3 Land Parcels (6)		<u>\$ 281,485</u>	<u>\$ 117,539</u>	<u>\$ 21,699</u>	<u>\$ 95,840</u>	4.6%	15.2%
<u>2007:</u> 5 Communities, 1 Land Parcel (7)		<u>\$ 273,896</u>	<u>\$ 163,352</u>	<u>\$ 17,588</u>	<u>\$ 145,764</u>	4.6%	17.8%
<u>2008:</u> 11 Communities (8)		<u>\$ 646,200</u>	<u>\$ 288,384</u>	<u>\$ 56,469</u>	<u>\$ 231,915</u>	5.1%	14.1%
<u>2009:</u> No sales as of June 30, 2009		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>		
<b>1998 - 2009 Total</b>	<b>7.5</b>	<b><u>\$ 3,265,217</u></b>	<b><u>\$ 1,300,791</u></b>	<b><u>\$ 268,553</u></b>	<b><u>\$ 1,032,239</u></b>	<b>5.8%</b>	<b>15.4%</b>

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- (1) Activity excludes dispositions to joint venture entities in which the Company retains an economic interest.
- (2) For purposes of this attachment, land sales and the disposition of an office building are not included in the calculation of Weighted Average Holding Period, Weighted Average Initial Year Market Cap Rate, or Weighted Average Unleveraged IRR.
- (3) See Attachment #14 — Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms.
- (4) 2003 GAAP gain, for purposes of this attachment, includes \$23,448 related to the sale of a community in which the Company held a 50% membership interest.
- (5) 2005 GAAP gain includes the recovery of an impairment loss of \$3,000 recorded in 2002 related to one of the land parcels sold in 2005. This loss was recorded to reflect the land at fair value based on its entitlement status at the time it was determined to be planned for disposition.
- (6) 2006 GAAP gain, for purposes of this attachment, includes \$6,609 related to the sale of a community in which the Company held a 25% equity interest.
- (7) 2007 GAAP gain, for purposes of this attachment, includes \$56,320 related to the sale of a partnership interest in which the Company held a 50% equity interest.
- (8) 2008 GAAP gain, for purposes of this attachment, includes \$3,483 related to the sale of a community held by the Fund in which the Company holds a 15.2% equity interest.
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**Attachment 14**

**AvalonBay Communities, Inc.**  
**Definitions and Reconciliations of Non-GAAP Financial Measures and Other Terms**

*This release, including its attachments, contains certain non-GAAP financial measures and other terms. The definition and calculation 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.*

FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is calculated by the Company as Net Income or loss computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, extraordinary gains or losses (as defined by GAAP), cumulative effect of a change in accounting principle and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. Management generally considers FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. A reconciliation of FFO to Net Income is as follows (dollars in thousands):

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Net income attributable to the Company	\$ 17,674	\$ 127,334	\$ 65,099	\$ 175,783
Dividends attributable to preferred stock	—	(2,175)	—	(4,350)
Depreciation — real estate assets, including discontinued operations and joint venture adjustments	54,126	50,258	107,651	100,044
Distributions to noncontrolling interests, including discontinued operations	14	57	39	114
Gain on sale of unconsolidated entities holding previously depreciated real estate assets	—	(3,483)	—	(3,483)
Gain on sale of previously depreciated real estate assets	—	(74,139)	—	(74,139)
<b>FFO attributable to common stockholders</b>	<b>\$ 71,814</b>	<b>\$ 97,852</b>	<b>\$ 172,789</b>	<b>\$ 193,969</b>
Average shares outstanding — diluted	80,042,294	77,578,617	79,898,287	77,484,723
<b>Earnings per share — diluted</b>	<b>\$ 0.22</b>	<b>\$ 1.61</b>	<b>\$ 0.82</b>	<b>\$ 2.21</b>
<b>FFO per common share — diluted</b>	<b>\$ 0.90</b>	<b>\$ 1.26</b>	<b>\$ 2.16</b>	<b>\$ 2.50</b>

**Attachment 14 (continued)**

Projected FFO, as provided within this release in the Company's outlook, is calculated on a basis consistent with historical FFO, and is therefore considered to be an appropriate supplemental measure to projected net income from projected operating performance. A reconciliation of the range provided for Projected FFO per share (diluted) for the third quarter and full year 2009 to the range provided for projected EPS (diluted) is as follows:

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	Low range	High range
Projected EPS (diluted) — Q3 09	\$ 0.48	\$ 0.52
Projected depreciation (real estate related)	0.70	0.74
Projected gain on sale of operating communities	(0.11)	(0.15)
Projected FFO per share (diluted) — Q3 09	<u>\$ 1.07</u>	<u>\$ 1.11</u>
Projected EPS (diluted) — Full Year 2009	\$ 2.70	\$ 2.85
Projected depreciation (real estate related)	2.74	2.89
Projected gain on sale of operating communities	(1.29)	(1.44)
Projected FFO per share (diluted) — Full Year 2009	<u>\$ 4.15</u>	<u>\$ 4.30</u>

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NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excludes corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed development and other pursuit costs, net interest expense, general and administrative expense, joint venture income, net income or expense attributable to noncontrolling interests, depreciation expense, gain on sale of real estate assets and income from discontinued operations. The Company considers NOI to be an appropriate supplemental measure to net income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of corporate-level property management overhead or general and administrative costs. This is more reflective of the operating performance of a community, and allows for an easier comparison of the operating performance of single assets or groups of assets. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets.

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**Attachment 14 (continued)**

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

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Net income attributable to the Company	\$ 17,674	\$127,334	\$ 65,099	\$175,783
Indirect operating expenses, net of corporate income	7,362	8,893	15,936	17,350
Investments and investment management expense	907	1,195	1,822	2,414
Expensed development and other pursuit costs	2,281	1,829	3,375	2,329
Interest expense, net	37,385	29,598	66,631	57,258
General and administrative expense	5,390	9,383	12,637	17,503
Joint venture income	(492)	(3,800)	(3,949)	(3,833)
Net income (expense) attributable to redeemable noncontrolling interests	(951)	105	(1,275)	210
Depreciation expense	53,737	47,648	106,377	93,589
Impairment loss	20,302	—	20,302	—
Gain on sale of real estate assets	—	(74,139)	—	(74,139)
Income from discontinued operations	—	(5,101)	—	(9,921)
NOI from continuing operations	<u>\$143,595</u>	<u>\$142,945</u>	<u>\$286,955</u>	<u>\$278,543</u>
Established:				
New England	\$ 20,575	\$ 22,428	\$ 40,993	\$ 43,428
Metro NY/NJ	29,199	30,259	57,270	59,549
Mid-Atlantic/Midwest	20,533	21,346	41,219	42,160
Pacific NW	4,959	5,324	10,173	10,516
No. California	18,939	19,953	39,237	39,923
So. California	10,906	11,929	22,252	23,948
Total Established	<u>105,111</u>	<u>111,239</u>	<u>211,144</u>	<u>219,524</u>
Other Stabilized	21,543	17,026	42,715	29,103
Development/Redevelopment	16,941	14,680	33,096	29,916
NOI from continuing operations	<u>\$143,595</u>	<u>\$142,945</u>	<u>\$286,955</u>	<u>\$278,543</u>

NOI as reported by the Company does not include the operating results from discontinued operations (i.e., assets sold during the period January 1, 2008 through June 30, 2009). A reconciliation of NOI from communities sold or classified as discontinued operations to net income for these communities is as follows (dollars in thousands):

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
Income from discontinued operations	\$ —	\$5,101	\$ —	\$ 9,921
Interest expense, net	—	546	—	1,076
Depreciation expense	—	1,702	—	4,553
NOI from discontinued operations	<u>\$ —</u>	<u>\$7,349</u>	<u>\$ —</u>	<u>\$15,550</u>
NOI from assets sold	\$ —	\$7,349	\$ —	\$15,550
NOI from assets held for sale	—	—	—	—
NOI from discontinued operations	<u>\$ —</u>	<u>\$7,349</u>	<u>\$ —</u>	<u>\$15,550</u>

**Attachment 14 (continued)**

Projected NOI, as used within this release for certain Development and Redevelopment 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 and Redevelopment Communities, Projected NOI is calculated based on the first year of Stabilized Operations, as defined below, following the completion of construction. In calculating the Initial Year Market Cap Rate, Projected NOI for dispositions is calculated for the first twelve months following the date of the buyer's valuation. Projected stabilized rental revenue represents management's estimate of projected gross potential (based on leased rents for occupied homes and Market Rents, as defined below, for vacant homes) minus projected economic vacancy and adjusted for concessions. Projected stabilized operating expenses do not include interest, income taxes (if any), depreciation or amortization, or any allocation of corporate-level property management overhead or general and administrative costs. The weighted average Projected NOI as a percentage of Total Capital Cost is weighted based on the Company's share of the Total Capital Cost of each community, based on its percentage ownership.

Management believes that Projected NOI of the Development and Redevelopment communities, on an aggregated weighted average basis, assists investors in understanding management's estimate of the likely impact on operations of the Development and Redevelopment 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 or redevelopment is complex, impractical to develop, and may not be meaningful. Projected NOI of these communities is not a projection of the Company's overall financial performance or cash flow. There can be no assurance that the communities under development or redevelopment will achieve the Projected NOI as described in this release.

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):

	Q2 2009	Q2 2008
Rental revenue (GAAP basis)	\$ 156,457	\$ 160,938
Concessions amortized	2,182	1,647
Concessions granted	(2,231)	(2,178)
Rental revenue (with concessions on a cash basis)	<u>\$ 156,408</u>	<u>\$ 160,407</u>
% change — GAAP revenue		(2.8%)
% change — cash revenue		(2.5%)

Economic Gain is calculated by the Company as the gain 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 to be an appropriate supplemental measure to gain 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 for each of the communities presented is estimated based on their respective final settlement statements. A reconciliation of Economic Gain to gain on sale in accordance with GAAP for both the six months ended June 30, 2009 as well as prior years' activities is presented on Attachment 13.

Interest Coverage is calculated by the Company as EBITDA from continuing operations, excluding land gains and gain on the sale of investments in real estate joint ventures, divided by the sum of interest expense, net, and preferred dividends. 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.

**Attachment 14 (continued)**

EBITDA is defined by the Company as net income attributable to the Company before interest income and expense, income taxes, depreciation and amortization.

A reconciliation of EBITDA and a calculation of Interest Coverage for the second quarter of 2009 are as follows (dollars in thousands):

Net income attributable to the Company	\$ 17,674
Interest expense, net	37,385
Depreciation expense	53,737
EBITDA	\$108,796
Interest expense, net	37,385
Interest charges	37,385
Interest coverage	2.9

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, 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 as presented on Attachment 12, Total Capital Cost is equal to gross real estate cost.

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 \$200 — \$300 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, amortization and extraordinary items. For this purpose, management's projection of operating expenses for the community includes a management fee of 3.0% — 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.

Unleveraged IRR on sold communities refers to the internal rate of return calculated by the Company considering the timing and amounts of (i) total revenue during the period owned by the Company and (ii) the gross sales price net of selling costs, offset by (iii) the undepreciated capital cost of the communities at the time of sale and (iv) total direct operating expenses during the period owned by the Company. Each of the items (i), (ii), (iii) and (iv) are calculated in accordance with GAAP.

The calculation of Unleveraged IRR does not include an adjustment for the Company's general and administrative expense, interest expense, or corporate-level property management and other indirect operating expenses. Therefore, Unleveraged IRR is not a substitute for net income as a measure of our performance. Management believes that the Unleveraged IRR achieved during the period a community is owned by the Company is useful because it is one indication of the gross value created by the Company's acquisition, development or redevelopment, management and sale of a community, before the impact of indirect expenses and Company overhead. The Unleveraged IRR achieved on the communities as cited in this release should not be viewed as an indication of the gross value created with respect to other communities owned by the Company, and the Company does not represent that it will achieve similar Unleveraged IRRs upon the disposition of other communities. The weighted average Unleveraged IRR for sold communities is weighted based on all cash flows over the holding period for each respective community, including net sales proceeds.

**Attachment 14 (continued)**

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by either outstanding secured debt or land leases (excluding land leases with purchase options that were put in place for governmental incentives or tax abatements) 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 six months ended June 30, 2009 is as follows (dollars in thousands):

NOI for Established Communities	\$211,144
NOI for Other Stabilized Communities	42,715
NOI for Development/Redevelopment Communities	33,096
Total NOI generated by real estate assets	286,955
NOI on encumbered assets	100,292
NOI on unencumbered assets	186,663
Unencumbered NOI	65.0%

Established Communities are identified by the Company as communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had Stabilized Operations, as defined below, as of the beginning of the prior year. Therefore, for 2009, Established Communities are consolidated communities that have Stabilized Operations as of January 1, 2008 and are not conducting or planning to conduct substantial redevelopment activities within the current year. Established Communities do not include communities that are currently held for sale or planned for disposition during the current year.

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

Redevelopment Communities are communities where the Company owns a majority interest and 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 either \$5,000,000 or 10% of the community's pre-development basis.

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 is defined as total possible revenue less vacancy loss as a percentage of total possible revenue. Total possible revenue 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.

Market Rents as reported by the Company are based on the current market rates set by the managers of the Company's communities based on their experience in renting their communities' 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.

Non-Revenue Generating Capex represents capital expenditures that will not directly result in revenue earnings or expense savings.

Stabilized/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.

Average Rent per Home, as calculated for certain Development and Redevelopment Communities in lease-up, reflects (i) actual average leased rents for those apartments leased through the end of the quarter net of estimated stabilized concessions, (ii) estimated market rents net of comparable concessions for all unleased apartments and (iii) includes actual and estimated other rental revenue. For Development and Redevelopment Communities not yet in lease-up, Average Rent per Home reflects management's projected rents.

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**Attachment 14 (continued)**

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 or where the Company owns land to develop a new community. The Company capitalizes related predevelopment costs incurred in pursuit of new developments for which future development is probable.